

RECORD DELIVERIES OFFSET BY A WEAKER MARKET

LKAB has delivered a strong quarter with deliveries at a record high of 7.6 Mt. However, the effect on operating profit is offset by a lower dollar exchange rate, lower prices for highly upgraded iron ore products and increased costs.

OPERATIONS – THIRD QUARTER

MSEK	Note	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Net sales	3, 4	9,333	7,751	24,832	24,313	31,260
Operating profit/loss		2,955	3,128	8,030	9,742	11,788
Net financial income/expense		600	139	477	1,069	1,136
Profit/loss before tax		3,555	3,266	8,506	10,810	12,924
Profit/loss for the period		2,800	2,618	6,677	8,543	10,173
Costs for urban transformation provisions		-963	-861	-1,314	-1,348	-1,441
Operating cash flow		1,651	2,480	4,415	5,680	6,981
Investments in property, plant and equipment		643	677	1,834	1,638	2,373
Depreciation		-797	-698	-2,269	-2,118	-2,907
Deliveries of iron ore products, Mt		7.6	5.5	21.4	18.4	24.9
Proportion of pellets, %		82	79	85	83	83
Production of iron ore products, Mt		6.8	7.3	20.3	20.0	27.2
Return on equity, %	9			18.6	23.0	24.2
Net debt/equity ratio, %	9			-3.7	2.9	-2.5

- The production volume for the quarter was lower than in the same period last year and amounted to 6.8 (7.3) Mt. Volumes were impacted mainly by extended maintenance shutdowns to reduce the spread of Covid-19 as well as the effects of the seismic event in the Kiruna mine in May 2020.
- Delivery volumes for the quarter amounted to a record high of 7.6 (5.5) Mt, with pellets accounting for 82 (79) percent.
- Operating profit for the third quarter decreased to MSEK 2,955 (3,128). High delivery volumes were offset by a lower dollar exchange rate, lower prices for highly upgraded iron ore products and higher costs. The cost increases relate to repair work and crushed ore handling associated with the seismic event in Kiruna, increased costs for urban transformation provisions and continued investments in exploration and development programmes.
- The average global spot price¹ for iron ore products in the third quarter was USD 118 (102)/tonne, which was USD 25 higher than in the second quarter 2020. The price at the end of the quarter was USD 123/tonne. Quoted pellet premiums were on average USD 27 lower in the third quarter year-on-year.
- Operating cash flow for the third quarter was MSEK 1,651 (2,480).
- The return on equity was 18.6 (23.0) percent.
- The net debt/equity ratio was -3.7 (2.9) percent.

¹Platts IODEX 62% Fe CFR North China



→ LKAB continues to focus on developing and delivering highly upgraded iron ore products with clear added value and climate benefits in steelmaking processes.

6.8 Mt

Produced during the quarter

7.6 Mt

Delivered during the quarter

82%

Percentage of pellets for the quarter

LKAB – GROUP

NET SALES AND OPERATING PROFIT/LOSS

ANALYSIS OF CHANGE IN OPERATING PROFIT/LOSS MSEK	Q3	Q1–Q3
Operating profit 2019	3,128	9,742
Iron ore prices incl. hedging	-440	-3,142
Currency effect, iron ore incl. hedging of accounts receivable	-838	-248
Volume and mix, iron ore	1,579	2,396
Volume, price and currency, industrial minerals	14	-57
Costs for urban transformation provisions	-102	34
Depreciation	-99	-151
Other income and expenses	-286	-545
Operating profit 2020	2,955	8,030

Sales for the third quarter increased by 20 percent or MSEK 1,582 in a year-on-year comparison. The high delivery volumes for the quarter were offset by a lower dollar exchange rate and lower prices for highly upgraded iron ore products. The average spot price for iron ore for the quarter was USD 118 (102)/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 last year. Other costs were mainly related to the seismic event that occurred in the mine in Kiruna in May and include repair costs as well as the costs of securing a supply of crushed ore. Extended maintenance shutdowns associated with measures to limit the spread of Covid-19, as well as increased investments for the future in exploration and development programmes, increased costs for the quarter.

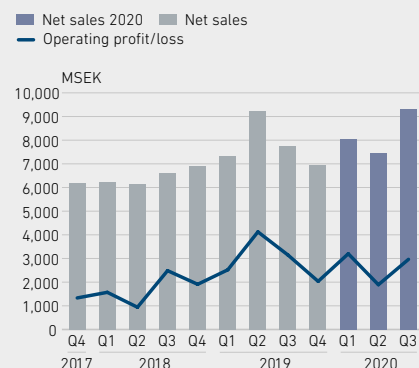
Operating profit for the first three quarters of the year decreased by MSEK 1,712 or 18 percent compared with the previous year. Higher delivery volumes were offset by lower market prices for highly upgraded iron ore products and a lower dollar exchange rate. The cost level, excluding provisions for urban transformation and volume effects, was higher than in the previous year, mainly as a result of the seismic event in the mine in Kiruna, extended maintenance shutdowns, increased exploration and ongoing development programmes.

CASH FLOW

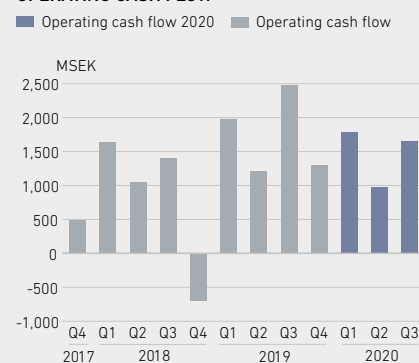
MSEK	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Cash flow from operating activities before expenditure on urban transformation and changes in working capital	4,183	3,460	9,558	10,737	13,053
Expenditures, urban transformation	-1,474	-528	-3,078	-2,109	-2,624
Cash flow from operating activities before changes in working capital	2,709	2,932	6,480	8,628	10,429
Change in working capital	-381	171	-101	-1,255	-960
Capital expenditures (net)	-633	-571	-1,767	-1,513	-2,252
Acquisition of subsidiaries				-39	-39
Acquisition/divestment of financial assets	-44	-51	-197	-141	-196
Operating cash flow	1,651	2,480	4,415	5,680	6,981

Operating cash flow for the third quarter amounted to MSEK 1,651 (2,480), with higher expenditure on urban transformation and increased working capital tied up, mainly in accounts receivable, having a negative effect. Operating cash flow for the first three quarters of the year was MSEK 4,415 (5,680). Lower operating profit and higher expenditure on urban transformation had a negative effect compared with the previous year. A decrease in working capital tied up, mainly due to inventory decreases, 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 third quarter was MSEK 600 (139), with the increase mainly relating to a higher return on financial investments.

Net financial income/expense for January – September was MSEK 477 (1,069), 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 -3.7 (2.9) percent, which is due to positive cash flow and decreased liabilities relating to provisions for urban transformation.

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	6,056		6,056
Total	18,306	3,250	15,056

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

EVENTS DURING THE QUARTER

During the quarter inspection and repair work continued following the substantial seismic event that took place in the Kiruna mine in May. The quake caused extensive material damage; while 70–80 percent of production is back up and running in the mine, a substantial amount of inspection and repair work remains before full production capacity can be reached. Delivery volumes in the third quarter were not affected by the loss of production in the Kiruna mine.

The effects of the corona pandemic have continued to call for flexibility and measures in LKAB's operations. Among other things, scheduled maintenance shut-downs were extended to reduce contact surfaces and minimise the risk of spreading infection. Some delivery volumes continued to be redirected to new customers and markets, since demand in Europe decreased as a result of the corona crisis.

OUTLOOK FOR 2020

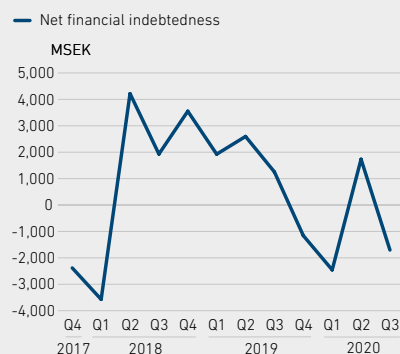
The global extent of the corona pandemic and its impact on communities and economies will continue to affect LKAB, but to what extent is difficult to predict.

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. The negotiations with Gällivare Municipality concerning eastern Malmberget remain at a standstill, which risks delaying the schedule for the decommissioned area and thus risks limiting future production.

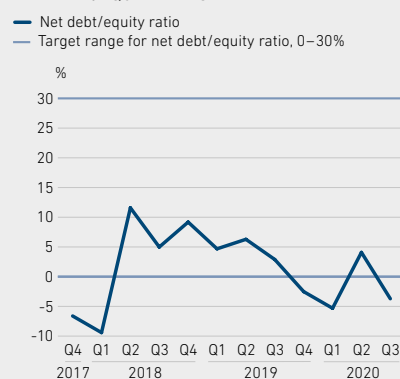
Sustainability work is central to LKAB's strategy and development work for the next generation of LKAB is continuing according to plan. Securing access to ore when the current main haulage levels are expected to be mined out is the basis for the next generation of LKAB, which is why exploration work 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	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019	Objective for 2021
Accidents involving absence (no. per million hrs) ¹	5.2	4.0	5.8	7.4	6.8	3.5
Women in the total workforce (%)	-	-	24	23	24	25
Women managers (%)	-	-	23	22	23	25
Particulate emissions (mg/m ³ ntg)	-	-	24	10	13	10
Nitrogen emissions to water (g/t FP)	20	9	18	13	15	21
Energy consumption (kWh/t FP)	152	149	159	165	158	138
CO ₂ emissions (kg/t FP)	25	25	27	26	26	24
Nitrogen emissions to air (g/t FP)	154	113	147	138	138	<158

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

The accident rate for the third quarter increased compared with the same period last year and was 5.2 (4.0). For the first three quarters of the year the rate was 5.8 (7.4). Within the business areas the focus is on preventing serious near-misses and accidents by raising awareness among managers and employees through ongoing work on 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.

High particulate emissions for the period are due to problems with a dust extraction system in MalMBERGET. Work is in progress to resolve the problem.

The energy intensity was lower and the CO₂ intensity was somewhat higher accumulated to the end of September when compared year on year. In September LKAB began using biodiesel with a 30-percent admixture as part of its measures to achieve the required emissions reductions for road transport. Trials involving replacing fuel oil with tall oil in one of the pelletising plants in MalMBERGET have had good results. Disruption to coal production at two pelletising plants in Kiruna during the quarter substantially increased the use of fuel oil as a substitute for coal.

Since the outbreak of the corona pandemic LKAB has taken the threat from the pandemic extremely seriously and has implemented both general and local measures to reduce the spread of infection. During the quarter the spread of infection reduced both within LKAB and in our operating locations, and sickness absence is now down to normal levels. LKAB continues to adjust the measures on an ongoing basis to ensure resilience and reduce the spread of infection.

STRATEGIC SUSTAINABILITY WORK

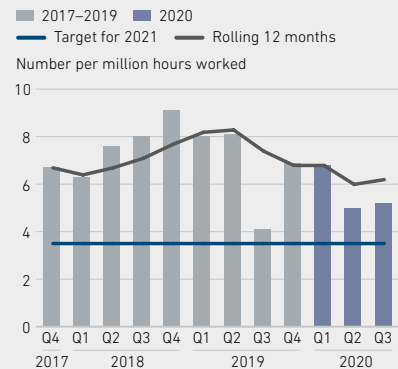
LKAB is conducting extensive development programmes aimed at sustainable future mining and steelmaking processes. In the Sustainable Underground Mining (SUM) project an integrated, efficient, carbon-free mining system is being developed. In September Sandvik joined the SUM alliance as a new partner. Volvo Group's previous partnership is transitioning into other collaboration solutions with LKAB.

Within the Hydrogen Ironmaking Breakthrough (HYBRIT) initiative, the pilot facility in Luleå for producing hydrogen to test direct reduction of iron ore was commissioned in August. The next step is to put in place the conditions for a industrial-scale demo facility.

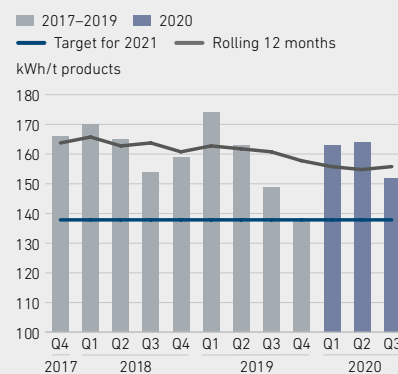
In MalMBERGET a pilot facility for testing fossil-free pelletisation is in operation. Trials with fossil-free fuels such as bio-oil, hydrogen and plasma have begun and indicate good results, but further tests are yet to be conducted.

Tests have also begun at the ReeMAP pilot facility. ReeMAP aims to use fossil-free processes to extract rare earth elements and phosphorus products from the waste products of iron ore mining. At the end of September an increased ambition was announced to build a fossil-free industrial park for recycling mining waste and producing critical raw materials. A preliminary study for this is in progress.

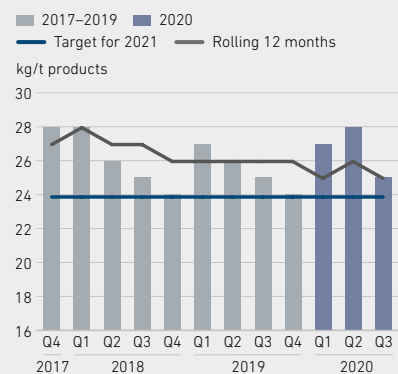
ACCIDENTS



ENERGY CONSUMPTION



CO₂ EMISSIONS



4,528

Average number of employees

24%

% women

MARKET DEVELOPMENT

THE STEEL AND IRON ORE MARKET

The global steel and iron ore industry

Global production of crude steel in the third quarter amounted to 465 Mt, which was a marginal increase compared with the same period last year.

The production figures for the third quarter remained considerably lower in all regions except China when compared year on year. Steel prices in China, Europe and the USA increased in the third quarter compared with the previous quarter.

Crude steel production increased by 9 percent in China in the third quarter. China's steel exports decreased by 19 percent compared with the previous quarter. Compared with the same quarter last year, the decrease was 27 percent.

In Europe (EU28) crude steel production decreased by 18 percent in the third quarter compared with the same period last year and is expected to decrease by 18 percent in 2020.

In the USA production of crude steel decreased by 24 percent in the third quarter. The forecast is for US steel production in 2020 to be around 72 Mt, a decrease of 19 percent compared with 2019.

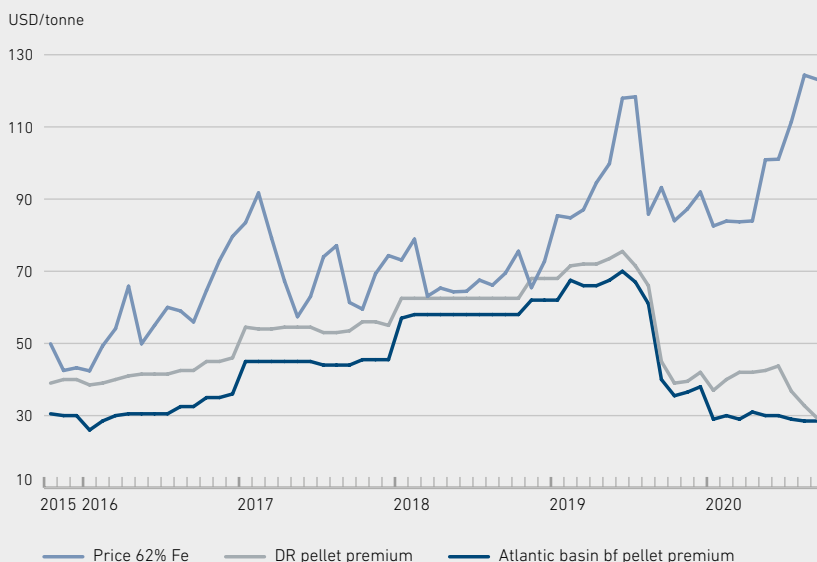
Brazil's weak iron ore exports have been a strong contributory factor in this year's high iron ore prices. However, in the middle of the third quarter the trend turned around, indicating a recovery in Brazil that is expected to put pressure on iron ore prices in the coming quarter.

Iron ore spot price developments

The spot price increased substantially during the quarter. The lowest price quoted during the quarter was USD 100/tonne and the spot price ended the quarter at USD 123/tonne. The average price for the quarter was USD 118/tonne, which was USD 25/tonne higher than in the preceding quarter. The quoted pellet premium for blast furnace pellets and DR pellets decreased and was quoted at USD 29/tonne at the end of the quarter. The pellet premium in China was volatile during the quarter and reached a low of USD 3/tonne before recovering in the second half of the quarter. At the end of the quarter the quoted premium was USD 17/tonne, which was on a par with the previous quarter. The price difference between Platts IODEX 65% Fe and 62% Fe decreased during the quarter and the average for the quarter was USD

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

1 October 2015 – 30 September 2020



Source: PLATTS

CHANGES IN THE DOLLAR EXCHANGE RATE

1 October 2015 – 30 September 2020



Source: Nasdaq

11/tonne, a decrease of USD 4/tonne compared with previous quarter.

In summary, iron ore prices continued their strong upward trend while premiums for higher grades were squeezed during the quarter. The assessment remains that iron ore prices will gradually decrease in the fourth quarter.

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	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Net sales	3.4	8,871	7,082	23,274	22,434	28,725
Operating profit/loss		3,318	3,291	8,937	10,215	12,439
Costs for urban transformation provisions		-963	-861	-1,314	-1,348	-1,441
Investments in property, plant and equipment		598	630	1,696	1,541	2,208
Depreciation		-728	-640	-2,067	-1,942	-2,647
Deliveries of iron ore products, Mt		7.6	5.5	21.4	18.4	24.9
Proportion of pellets, %		82	79	85	83	83
Production of iron ore products, Mt		6.8	7.3	20.3	20.0	27.2

The production volume for the third quarter decreased by 0.5 Mt in a year-on-year comparison. The decrease is an effect of extended maintenance shutdowns – mainly associated with measures to reduce the spread of Covid-19 – and of production disruption due to the seismic event in Kiruna in May 2020. Delivery volumes for the quarter reached record levels and amounted to 7.6 (5.5) Mt, with pellets accounting for 82 (79) percent.

Sales for the third quarter were higher than in the same period last year, mainly due to higher delivery volumes. This was offset by a lower dollar exchange rate as well as lower prices for highly upgraded iron ore products.

Operating profit for the third quarter amounted to MSEK 3,318 (3,291), with costs mainly affected by higher delivery volumes as well as the costs of securing the supply of crushed ore following the seismic event in the Kiruna mine. Increased costs for urban transformation provisions also had an impact on profit for the quarter.

The production volume for the first three quarters of the year increased by 0.3 Mt year on year. 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 for the period increased by 3.0 Mt and amounted to 21.4 (18.4) Mt, with the proportion of pellets at 85 (83) percent.

Sales accumulated to the end of September were higher than in the same period last year. Higher delivery volumes were offset by a lower dollar exchange rate and lower prices for highly upgraded iron ore products.

Operating profit for January–September amounted to MSEK 8,937 (10,215), with costs mainly affected by higher delivery volumes and by repair costs and the costs of crushed ore handling in connection with the seismic event in Kiruna. The maintenance shutdowns were extended during the year, mainly due to measures to limit the spread of Covid-19, which resulted in higher costs.

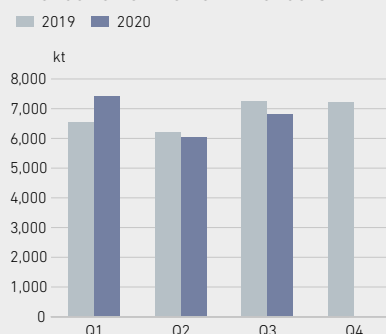
Effective from 1 January 2020 the former Northern and Southern divisions are reported within the Iron Ore business area. Earlier periods have been restated in accordance with the change.

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 Ofofbanen ore railway to the ports of Narvik and Luleå for shipment to steelworks customers around the world.

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. The Special Products business area is also a strategic supplier within the LKAB Group.

OPERATIONS SUMMARY

MSEK	Note	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Net sales	3.4	1,145	1,219	3,174	3,563	4,732
Operating profit/loss		79	82	170	253	343
Investments in property, plant and equipment		33	23	92	67	127
Depreciation		-49	-44	-145	-134	-185

Net sales for the third quarter decreased by six percent in a year-on-year comparison. The decrease is mainly due to lower sales of processed minerals in Europe as a result of Covid-19, as well as a reduction in drifts in the Kiruna mine due to the seismic event in May 2020. Operating profit for the quarter was MSEK 79 (82).

Net sales accumulated to the end of September were 11 percent lower year on year, mainly due to the impact of the ongoing corona pandemic and the seismic event in the mine in Kiruna. Lower sales of magnetite compared with the same period last year also had an impact. Operating profit for the first three quarters of the year amounted to MSEK 170 (253).

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	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Net sales excl. hedging		19	14	48	41	61
Net sales hedging		-165	-51	-163	-148	-109
Total net sales	3.4	-146	-36	-115	-107	-48
Operating profit/loss		-445	-226	-1,043	-666	-951
Investments in property, plant and equipment		12	24	46	30	39
Depreciation		-21	-14	-57	-43	-57

The lower operating profit for the third quarter is mainly due to a decrease in the result of hedging activities and to increased exploration, as well as to ongoing development projects. Accumulated to the end of September, operating profit was affected mainly by increased investment in exploration and development projects compared with the same period last 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. In 2020 deliveries to the spot price market were occasionally hedged in respect of iron ore prices.

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

PARENT COMPANY

The Parent Company LKAB consists of the 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	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Net sales		8,710	7,046	23,121	22,311	28,658
Operating profit/loss		2,777	3,006	7,633	9,323	11,205
Costs for urban transformation provisions		-963	-861	-1,314	-1,348	-1,441
Investments in property, plant and equipment		566	612	1,631	1,423	2,090
Depreciation		-631	-528	-1,788	-1,601	-2,195
Deliveries of iron ore products, Mt		7.6	5.5	21.4	18.4	24.9
Production of iron ore products, Mt		6.8	7.3	20.3	20.0	27.2

SIGNATURES

Luleå, 27 October 2020
Luossavaara-Kiirunavaara AB (publ)



Jan Moström
President and CEO

FINANCIAL INFORMATION

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

Annual and Sustainability Report 2020
30 March 2021

Interim Report Q1 2021
22 April 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. Book calls through Niklas Johansson, SVP Communication and Climate, +46(0)10-144 52 19.



AUDITOR'S REVIEW REPORT

Introduction

We have reviewed the condensed interim financial information (interim report) for Luossavaara-Kiirunavaara AB (publ) as of 30 September 2020 and for the nine-month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim financial report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

Focus and scope of review

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

in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Conclusion

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

Luleå, 27 October 2020
KPMG AB



Helena Arvidsson Älgne
Authorised Public Accountant

LKAB – GROUP

STATEMENT OF INCOME

MSEK	Note	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Net sales	3, 4	9,333	7,751	24,832	24,313	31,260
Cost of goods sold		-6,087	-4,353	-15,865	-13,664	-18,124
Gross profit/loss		3,247	3,398	8,967	10,649	13,136
Selling expenses		-32	-36	-105	-109	-152
Administrative expenses		-135	-117	-429	-402	-572
Research and development expenses		-167	-124	-457	-360	-574
Other operating income		113	101	296	273	375
Other operating expenses		-66	-94	-188	-310	-415
Share of profit of joint ventures		-5		-52		-11
Operating profit/loss	3	2,955	3,128	8,030	9,742	11,788
Financial income		643	231	720	1,300	1,407
Financial expense		-43	-92	-243	-231	-271
Net financial income/expense		600	139	477	1,069	1,136
Profit/loss before tax		3,555	3,266	8,506	10,810	12,924
Tax		-756	-648	-1,829	-2,267	-2,751
Profit/loss for the period		2,800	2,618	6,677	8,543	10,173
Attributable to Parent Company shareholders		2,800	2,618	6,677	8,543	10,173
Earnings per share before and after dilution (SEK)		4,000	3,740	9,539	12,204	14,533
Number of shares		700,000	700,000	700,000	700,000	700,000

STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Profit/loss for the period		2,800	2,618	6,677	8,543	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		-31	-131	-171	-408	-184
Tax attributable to actuarial gains and losses		8	27	37	84	37
Changes for the period in the fair value of equity instruments measured at fair value through other comprehensive income		433	-102	-267	-43	90
		410	-206	-401	-367	-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		-46	-28	-272	163	108
Changes in fair value of cash flow hedges for the period		21	9	-8	-13	-30
Changes in fair value of cash flow hedges transferred to profit/loss for the year		2	-2	-2	-65	-86
Tax attributable to components of cash flow hedges		-5	-2	2	17	25
		-28	-23	-280	102	17
Other comprehensive income for the period		382	-229	-681	-265	-40
Total comprehensive income for the period attributable to the Parent Company shareholders		3,181	2,389	5,996	8,278	10,133

LKAB – GROUP

STATEMENT OF FINANCIAL POSITION

MSEK	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS				
Non-current assets				
Intangible assets		1,412	1,403	1,412
Property, plant and equipment for operations		30,087	30,919	30,822
Property, plant and equipment for urban transformation		7,841	8,422	7,757
Interests in associates and joint ventures		282	93	136
Financial investments	5	3,475	971	1,097
Non-current receivables		102	102	102
Deferred tax asset		14	3	4
Total non-current assets		43,213	41,914	41,331
Current assets				
Inventories		4,036	4,312	4,791
Accounts receivable		3,969	3,196	2,348
Prepaid expenses and accrued income		242	184	277
Other current receivables		1,759	1,543	1,624
Current investments	5	19,051	27,959	21,997
Cash and cash equivalents		5,451	3,335	2,312
Total current assets		34,509	40,530	33,350
TOTAL ASSETS		77,722	82,444	74,681
EQUITY AND LIABILITIES				
Equity				
Share capital		700	700	700
Reserves		-54	445	493
Retained earnings incl. profit/loss for the period		44,774	42,535	44,335
Equity attributable to Parent Company shareholders		45,420	43,680	45,528
Total equity		45,420	43,680	45,528
Non-current liabilities				
Non-current interest-bearing liabilities		2,557	1,608	3,600
Provisions for pensions and similar commitments		1,879	2,088	1,830
Provisions, urban transformation		11,121	14,204	13,198
Other provisions		1,357	1,236	1,292
Deferred tax liabilities		1,619	1,606	1,548
Total non-current liabilities		18,534	20,741	21,467
Current liabilities				
Current interest-bearing liabilities		5,274	10,551	595
Trade payables		2,277	1,790	1,582
Tax liabilities		4	175	8
Other current liabilities		439	435	278
Accrued expenses and deferred income		1,579	1,130	1,420
Provisions, urban transformation		4,069	3,706	3,675
Other provisions		126	236	128
Total current liabilities		13,769	18,022	7,685
Total liabilities		32,302	38,763	29,153
TOTAL EQUITY AND LIABILITIES		77,722	82,444	74,681

LKAB – GROUP

STATEMENT OF CHANGES IN EQUITY

Equity attributable to Parent Company shareholders

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

Equity attributable to Parent Company shareholders

	Reserves				Retained earnings including profit/loss for the year	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve		
2020 MSEK						
Opening equity 1 Jan 2020	700	-54	540	7	44,335	45,528
Profit/loss for the year					6,677	6,677
Other comprehensive income for the year		-272	-267	-8	-134	-681
Comprehensive income for the year		-272	-267	-8	6,543	5,996
Dividend					-6,104	-6,104
Closing equity 30 Sep 2020	700	-326	273	-1	44,774	45,420

Equity attributable to Parent Company shareholders

	Reserves				Retained earnings including profit/loss for the year	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve		
2019 MSEK						
Opening equity 1 Jan 2019	700	-162	450	98	37,487	38,573
Adjustment for IFRS 16, after tax					-7	-7
Profit/loss for the year					8,543	8,543
Other comprehensive income for the year		163	-43	-61	-324	-265
Comprehensive income for the year		163	-43	-61	8,219	8,278
Dividend					-3,164	-3,164
Closing equity 30 Sep 2019	700	1	407	37	42,535	43,680

PERSONNEL

MSEK	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Average number of employees	4 528	4,355	4,348
– of which women	1 089	991	988
– of which men	3 439	3,364	3,360

LKAB – GROUP

STATEMENT OF CASH FLOWS

MSEK	Note	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Operating activities						
Profit/loss before tax		3,555	3,266	8,506	10,810	12,924
Adjustment for items not included in cash flow		1,209	1,409	3,217	2,366	3,050
Income tax paid		-579	-1,212	-2,159	-2,428	-2,889
Expenditures, urban transformation		-1,474	-528	-3,078	-2,109	-2,624
Expenditures, other provisions		-2	-3	-6	-11	-32
Cash flow from operating activities before changes in working capital		2,709	2,932	6,480	8,628	10,429
Cash flow from changes in working capital						
Increase (-)/Decrease (+) in inventories		471	-860	755	-968	-1,447
Increase (-)/Decrease (+) in operating receivables		-1,660	638	-1,750	-674	109
Increase (+)/Decrease (-) in operating liabilities		808	394	894	387	378
Change in working capital		-381	171	-101	-1,255	-960
Cash flow from operating activities		2,329	3,104	6,379	7,373	9,469
Investing activities						
Acquisition of property, plant and equipment		-643	-677	-1,834	-1,638	-2,373
Government investment grants						14
Disposal of property, plant and equipment		10	105	67	125	107
Acquisition of subsidiaries					-39	-39
Acquisition/disposal of other financial assets – operating		-44	-51	-197	-141	-196
Acquisition/disposal of other financial assets – non-operating				-2,666		
Disposals/acquisitions (net) in current investments		1,102	-1,281	3,886	-8,126	-2,476
Cash flow from investing activities		424	-1,904	-744	-9,818	-4,963
Financing activities						
Repayments/borrowing, repurchase agreements		23	-231	2,001	6,509	-1,388
Repayments/borrowing			209	-350	210	160
Repayment of lease liabilities		-25	-25	-74	-74	-97
Dividends paid to Parent Company shareholders				-4,069	-3,164	-3,164
Cash flow from financing activities		-2	-46	-2,492	3,481	-4,489
Cash flow for the period		2,750	1,154	3,143	1,035	17
Cash and cash equivalents at start of period		2,704	2,177	2,312	2,290	2,290
Exchange difference in cash and cash equivalents		-3	5	-4	10	4
Cash and cash equivalents at end of period		5,451	3,335	5,451	3,335	2,312
Change in cash and cash equivalents		2,750	1,154	3,143	1,034	17
Sub-components of cash and cash equivalents						
Cash and bank balances		5,151	3,335	5,151	3,335	2,312
Current investments (maturity <90 days)		300		300		
Cash and cash equivalents		5,451	3,335	5,451	3,335	2,312
Consolidated operating cash flow						
Cash flow from operating activities		2,329	3,104	6,379	7,373	9,469
Acquisition of property, plant and equipment		-643	-677	-1,834	-1,638	-2,373
Government investment grants						14
Disposal of property, plant and equipment		10	105	67	125	107
Acquisition of subsidiaries					-39	-39
Acquisition/disposal of other financial assets – operating		-44	-51	-197	-141	-196
Operating cash flow (excluding current investments)		1,651	2,480	4,415	5,680	6,981
Acquisition/disposal of other financial assets – non-operating				-2,666		
Disposals/acquisitions (net) in current investments		1,102	-1,281	3,886	-8,126	-2,476
Cash flow after investing activities		2,753	1,200	5,635	-2,446	4,506
Cash flow from financing activities		-2	-46	-2,492	3,481	-4,489
Cash flow for the period		2,750	1,154	3,143	1,035	17

LKAB – PARENT COMPANY

INCOME STATEMENT

MSEK	Note	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Full year 2019
Net sales		8,710	7,046	23,121	22,311	28,658
Cost of goods sold		-5,744	-3,866	-14,851	-12,384	-16,524
Gross profit/loss		2,966	3,180	8,270	9,928	12,135
Selling expenses		-6	-7	-21	-21	-30
Administrative expenses		-64	-68	-256	-250	-357
Research and development expenses		-158	-121	-432	-348	-555
Other operating income		42	32	86	49	43
Other operating expenses		-3	-10	-13	-34	-30
Operating profit/loss		2,777	3,006	7,633	9,323	11,205
Profit/loss from financial items		43	131	481	579	-177
Profit/loss after financial items		2,820	3,136	8,114	9,902	11,028
Appropriations						1,570
Profit/loss before tax		2,820	3,136	8,114	9,902	12,598
Tax		-605	-620	-1,673	-2,068	-2,818
Profit/loss for the period¹		2,215	2,516	6,441	7,833	9,781

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

LKAB – PARENT COMPANY

BALANCE SHEET

MSEK	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS				
Non-current assets				
Intangible assets		185	72	69
Property, plant and equipment for operations		25,085	25,273	25,295
Property, plant and equipment for urban transformation		7,841	8,422	7,757
Financial assets				
Interests in subsidiaries		1,814	2,388	1,814
Interests in associates and jointly controlled entities		345	94	148
Receivables from subsidiaries		3,366	3,766	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		10,083	8,257	7,597
Total non-current assets		43,194	42,026	40,717
Current assets				
Inventories		3,359	3,612	4,077
Current receivables				
Accounts receivable		3,391	2,595	1,920
Receivables from subsidiaries		247	161	219
Other current receivables		1,685	1,404	1,423
Prepaid expenses and accrued income		187	109	220
Total current receivables		5,510	4,269	3,782
Current investments		18,041	27,119	21,066
Cash and bank balances		4,688	2,745	1,803
Total current assets		31,598	37,744	30,728
TOTAL ASSETS		74,792	79,770	71,446

LKAB – PARENT COMPANY

BALANCE SHEET

MSEK	Note	30 Sep 2020	30 Sep 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		6,441	7,833	9,781
Total equity		33,411	31,126	33,074
Untaxed reserves		12,552	13,650	12,552
Provisions				
Provisions, urban transformation		11,121	14,204	13,198
Other provisions		1,558	1,433	1,480
Total provisions		12,679	15,637	14,678
Non-current liabilities				
Bond loans		2,241	1,245	3,241
Liabilities to credit institutions		10	10	10
Total non-current liabilities		2,251	1,255	3,251
Current liabilities				
Bonds and commercial papers				350
Liabilities to credit institutions		3,174	10,466	173
Other financial liabilities		2,035		
Trade payables		1,902	1,299	1,166
Liabilities to subsidiaries		1,105	1,127	1,137
Current tax liabilities			174	34
Other current liabilities		351	340	168
Accrued expenses and deferred income		1,138	754	1,062
Provisions, urban transformation		4,069	3,706	3,675
Other provisions		124	236	126
Total current liabilities		13,898	18,101	7,891
TOTAL EQUITY AND LIABILITIES		74,792	79,770	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.

When the purchase price allocation for Francis Flower was finalised, an adjustment was made against the opening balance for 2019. This means that certain balance sheet items and amortisation amounts for the comparative year deviate from the previously presented interim reports for 2019.

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

MSEK	Iron Ore		Special Products		Other		Eliminations/ group adjustments		Group	
	Q1–Q3 2020	Q1–Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Q1–Q3 2020	Q1–Q3 2019
External income	22,902	21,962	2,097	2,490	-167	-138			24,832	24,313
Internal income	371	472	1,077	1,073	52	31	-1,500	-1,577		
Total income	23,274	22,434	3,174	3,563	-115	-107	-1,500	-1,577	24,832	24,313
Operating profit/loss	8,937	10,215	170	253	-1,043	-666	-34	-60	8,030	9,742
Net financial income/expense									477	1,069
Profit/loss before tax									8,506	10,810

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-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Product/service area								
Pellets	20,014	19,639					20,014	19,639
Fines	2,570	1,917					2,570	1,917
Magnetite			607	780			607	780
Mineral sands			376	414			376	414
Other industrial minerals			924	1,105			924	1,105
Mining and construction services			191	191			191	191
Other	318	410			-4	5	314	415
Total	22,902	21,966	2,097	2,490	-4	5	24,996	24,461
Region								
Europe	11,642	14,323	1,386	1,715	-4	5	13,024	16,043
MENA	5,473	5,937	3	60			5,476	5,997
Rest of world	5,787	1,706	708	715			6,495	2,421
Total	22,902	21,966	2,097	2,490	-4	5	24,996	24,461
Revenue from contracts with customers	22,902	21,966	2,097	2,490	-4	5	24,996	24,461
Other income – financing activities					-163	-148	-163	-148
Total external income	22,902	21,966	2,097	2,490	-167	-143	24,832	24,313

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 Sep 2020

MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	3,135			3,135
Shares, current holdings		7,315		7,315
Interest-bearing instruments		11,711		11,711
Derivatives	25	-20		5
Total	3,160	19,006		22,166

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 Sep 2020	30 Sep 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	339	122	56
Pledged assets bonds repurchase agreements	2,174	8,075	173
Total pledged assets	2,736	8,421	452

Contingent liabilities

MSEK	30 Sep 2020	30 Sep 2019	31 Dec 2019
Guarantees, FPG/PRI	16	16	16
Guarantees, GP plan	3	4	4
Guarantees, Swedish Tax Agency	63	63	63
Surety given for subsidiaries	119	28	27
Accounts receivable factored with recourse	0	0	0
Collateral, remediation	61	62	62
Total contingent liabilities	262	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 Sep 2020	30 Sep 2019	31 Dec 2019
Loans payable	7,832	12,158	4,195
Provisions for pensions	1,879	2,088	1,830
Provisions, urban transformation	15,190	17,910	16,873
Provisions, remediation	1,374	1,363	1,351
Less:			
Cash and cash equivalents	-5,451	-3,335	-2,312
Current investments	-19,051	-27,959	-21,997
Financial investments	-3,475	-971	-1,097
Net financial indebtedness	-1,703	1,253	-1,158

Net debt/equity ratio

MSEK	30 Sep 2020	30 Sep 2019	31 Dec 2019
Net financial indebtedness, MSEK	-1,703	1,253	-1,158
Equity, MSEK	45,420	43,680	45,528
Net debt/equity ratio, %	-3.7	2.9	-2.5

Return on equity

MSEK	30 Sep 2020	30 Sep 2019	31 Dec 2019
Profit/loss after tax R 12, MSEK	8,307	9,422	10,173
Average equity, MSEK	44,550	40,954	42,051
Return on equity, %	18.6	23.0	24.2

NOTES

NOTE 10

Quarterly data for the Group

MSEK	Note	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net sales		9,333	7,456	8,044	6,947	7,751	9,233	7,329	6,911
Operating profit/loss		2,955	1,883	3,191	2,047	3,128	4,109	2,506	1,900
Net financial income/expense		600	656	-780	67	139	383	547	-790
Profit/loss before tax		3,555	2,540	2,411	2,113	3,266	4,492	3,053	1,110
Profit/loss for the period		2,800	1,998	1,879	1,630	2,618	3,545	2,381	879
Costs for urban transformation provisions		-963	-277	-74	-93	-861	-102	-386	-289
Operating cash flow		1,651	972	1,792	1,302	2,480	1,216	1,984	-706
Investments in property, plant and equipment		643	571	619	735	677	570	391	624
Deliveries of iron ore products, Mt		7.6	6.6	7.3	6.5	5.5	6.7	6.1	6.8
Proportion of pellets, %		82	83	89	81	79	84	86	79
Production of iron ore products, Mt		6.8	6.0	7.4	7.2	7.3	6.2	6.5	6.7
Return on equity, %	9	18.6	19.4	22.2	24.2	23.0	22.6	16.0	14.1
Net debt/equity ratio, %	9	-3.7	4.1	-5.3	-2.5	2.9	6.3	4.7	9.2