

2016

INTERIM REPORT Q2

Luossavaara-Kiirunavaara AB (publ) Corp. ID no. 556001-5835

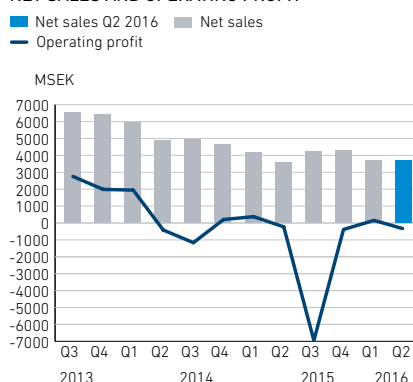
APRIL – JUNE

- NET SALES TOTALLED MSEK 3,800 (3,567)
- OPERATING PROFIT/LOSS WAS MSEK -277 (-228)
- COSTS FOR URBAN TRANSFORMATION PROVISIONS TOTALLED MSEK 103 (251)
- PROFIT/LOSS FOR THE PERIOD WAS MSEK -214 (-416)
- OPERATING CASH FLOW WAS MSEK -600 (-1,488)
- DELIVERIES OF IRON ORE TOTALLED 6.7 (5.3) MT

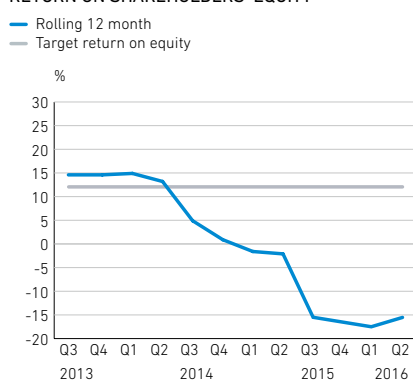
JANUARY – JUNE

- NET SALES TOTALLED MSEK 7,568 (7,745)
- OPERATING PROFIT/LOSS WAS MSEK -105 (147)
- COSTS FOR URBAN TRANSFORMATION PROVISIONS TOTALLED MSEK 439 (475)
- PROFIT FOR THE PERIOD WAS MSEK 119 (190)
- OPERATING CASH FLOW WAS MSEK -2,600 (-1,195)
- DELIVERIES OF IRON ORE TOTALLED 13.0 (11.2) MT

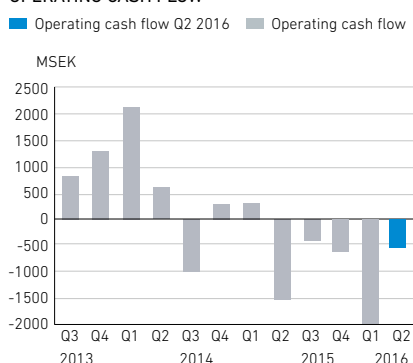
NET SALES AND OPERATING PROFIT



RETURN ON SHAREHOLDERS' EQUITY



OPERATING CASH FLOW



COMMENTS BY THE PRESIDENT AND CEO

MEASURES TO LOWER COSTS AND IMPROVE EFFICIENCY

LKAB is continuing to focus on improving efficiency through cost control and through volume and productivity increases.

Demand for LKAB's processed iron ore products remains good. The production volume amounted to 6.1 (5.8) Mt for the quarter and deliveries reached 6.7 (5.3) Mt, with pellets accounting for 83 percent.

During the quarter LKAB reported stable production and improved delivery volumes. Despite this, an operating loss of MSEK -277 (-228) is reported for the quarter. Hedging activities, which amounted to MSEK -558 (-99), had the main negative impact. The hedges were entered into at the low iron ore prices that prevailed during the fourth quarter 2015. The hedging was carried out in order to alleviate the effects of price and exchange rate changes in the market. This meant that LKAB was not able to take full advantage of the price increase during the second quarter of 2016.

Operating cash flow was strengthened by an improved cash flow from operations and reduced capital expenditures, and amounted to MSEK -600 (-1,488) – of which urban transformation expenses accounted for a major share.

During April the spot price¹ rose to USD 70.5/tonne, its highest level in the year to date. The increase was largely driven by speculation and stabilized shortly thereafter at around USD 50/tonne. The average price for the quarter was USD 56 (58)/tonne.

In the first half of 2016 we have worked intensively to transform the organization into three business divisions in order to create the conditions to increase production, at the same time as reducing our costs. The production volume was eight percent or 0.9 Mt higher and expenses for the first half, excluding provisions for urban transformation and inventory changes, were four percent or MSEK 310 lower than in the same period the previous year.

The efficiency programme initiated in 2015 aimed at reducing the number of employees

by 400 was completed in the first half of 2016. LKAB will continue to reduce its cost base. The aim is to reduce the cost base by at least MSEK 800 by the end of the first quarter in 2017. This will primarily be done by reducing the requirement for consultants and contractors. Further cuts in personnel, equivalent to 200 positions, will also be implemented.

For safe and resource-efficient production going forward our strategic focus is on measures in day-to-day operations, sustainable purchasing and more efficient use of facilities and machinery. The focus continues to be on maximizing pellet production. In the prevailing market situation, planned volume increases for fines products are being deferred until a later date.

All mining operations require the use of land, and LKAB's commitment to and responsibility for urban transformation in the mining communities remain unchanged. The current ruling by the Land and Environment Court on LKAB's operations in Malmerberget means that parts of production are at a standstill awaiting updated detailed development plans. Achieving these detailed development plans requires an agreement with Gällivare municipality on the premises for municipal operations that exist in the area. Further negotiations for such an agreement with Gällivare municipality are scheduled during August.

Reduced costs and increased efficiency will allow LKAB to enhance both its profitability and its competitiveness and will add value for our customers, our operating locations and our owner.

¹Platts IODEX 62% Fe CFR North China


Jan Maström
President and CEO

THE LKAB GROUP IN SUMMARY

OPERATIONS – SECOND QUARTER

	Q2 2016	Q2 2015	Change
Net sales, MSEK	3,800	3,567	233
Underlying operating profit/loss, MSEK (note 1)	-174	23	-196
Urban transformation expenses, MSEK	-103	-251	148
Operating profit/loss, MSEK	-277	-228	-49
Net financial income/expense, MSEK	108	-320	428
Profit/loss before tax, MSEK	-169	-548	379
Profit/loss for the period, MSEK	-214	-416	203
Operating cash flow, MSEK	-600	-1,488	888
Capital expenditures in property, plant and equipment, MSEK	1,024	1,595	-571
Depreciations, MSEK	-676	-781	105
Production, Mt	6.1	5.8	0.3
Deliveries, Mt	6.7	5.3	1.4
Proportion of pellets, %	83	84	
Stocks of finished products, Mt	1.7	1.8	-0.1
Gross profit margin, %	neg	2	
Operating margin, %	neg	neg	

LKAB's production has remained stable and the production volume in the quarter amounted to 6.1 (5.8) Mt. Deliveries reached 6.7 (5.3) Mt, with pellets accounting for 83 (84) percent.

Net sales increased by MSEK 233 or seven percent. The increase is mainly because delivery volumes increased by MSEK 750, while hedging effects had a negative effect of MSEK 464.

The hedges were entered into at the low iron ore prices that prevailed during the fourth quarter 2015. The hedging was carried out in order to alleviate the effects of price and exchange rate changes in the market. This meant that LKAB was not able to take full advantage of the price increase during the second quarter of 2016. Market prices were somewhat lower than in the same period last year, which also had a negative impact on net sales.

The cost of goods sold increased by MSEK 362, mainly due to increased deliveries, which was partly countered by lower costs for urban transformation provisions.

The operating loss for the second quarter was MSEK -277 (-228).

Net financial income/expense amounted to MSEK 108 (-320), mainly as a result of a higher return on fixed income and equities investments and greater exchange gains.

Operating cash flow was as follows:

(MSEK)	Q2 2016	Q2 2015	Change
Cash flow from operating activities before change in working capital	744	372	372
Change in working capital	-332	-265	-67
Capital expenditures (net)	-1,012	-1,595	583
Operating cash flow	-600	-1,488	888

The operating cash flow for the quarter was MSEK -600 (-1,488). The improvement is mainly due to stronger net financial income and lower capital expenditures. This is countered by urban transformation expenses of MSEK 525 (17) for the quarter.

THE LKAB GROUP IN SUMMARY

OPERATIONS – JANUARY–JUNE

	Q1-2 2016	Q1-2 2015	Change	Full year 2015
Net sales, MSEK	7,568	7,745	-177	16,200
Underlying operating profit/loss, MSEK (note 1)	333	622	-288	1,548
Urban transformation expenses, MSEK	-439	-475	36	-1,568
Impairment of property, plant and equipment, MSEK				-7,136
Operating profit/loss, MSEK	-105	147	-252	-7,156
Net financial income/expense, MSEK	288	41	247	-115
Profit/Loss before tax, MSEK	183	188	-5	-7,271
Profit/Loss for the period, MSEK	119	190	-71	-5,686
Operating cash flow, MSEK	-2,600	-1,195	-1,405	-2,348
Capital expenditures in property, plant and equipment, MSEK	1,912	3,192	-1,280	6,354
Depreciations, MSEK	-1,301	-1,441	139	-2,800
Production, Mt	12.9	12.0	0.9	24.5
Deliveries, Mt	13.0	11.2	1.8	24.2
Proportion of pellets, %	85	85		84
Stocks of finished products, Mt	1.7	1.8	-0.1	1.6
Gross profit margin, %	5	9		neg
Operating margin, %	neg	2		neg
Net financial indebtedness, MSEK (note 1)	5,526	1,428	4,098	3,202

During the first half of LKAB's production was stabilized, partly due to an increased supply of crushed ore from the underground mines and more stable processes in the processing plants. Production volume totalled 12.9 (12.0) Mt, which was eight percent higher when compared year-on-year. Deliveries of iron ore totalled 13.0 (11.2) Mt, which was 16 percent higher than the same period the previous year.

Net sales decreased by MSEK 177 or two percent. The decrease is mainly due to lower prices and currency effects of MSEK 846 and to hedging effects of MSEK 325. Higher delivery volumes had a positive impact of 13 percent or around MSEK 980.

The cost of goods sold increased by MSEK 166, mainly due to increased deliveries, which was partly countered by lower costs.

The operating loss for the first half was MSEK -105 (147).

Net financial income/expense amounted to MSEK 288 (41), mainly as a result of higher interest income, greater exchange gains and lower costs for hedging activities.

THE LKAB GROUP IN SUMMARY

OPERATIONS – JANUARY–JUNE

Operating cash flow was as follows:

(MSEK)	Q1-2 2016	Q1-2 2015	Change	Full year 2015
Cash flow from operating activities before change				
in working capital	1,278	1,881	-603	3,694
Change in working capital	-2,012	114	-2,126	162
Capital expenditures (net)	-1,866	-3,190	1,324	-6,204
Operating cash flow	-2,600	-1,195	-1,405	-2,348

Operating cash flow was MSEK -2,600 (-1,195). Cash flow from operating activities was mainly affected negatively by urban transformation expenses, which amounted to MSEK 607 (98).

Cash flow was negatively impacted by MSEK 1,734 in respect of increased capital tied up in assets pledged for outstanding hedging positions. The main reason for the increase was that outstanding hedges for iron ore at the end of the quarter were negative in value in relation to the

hedged price level, due to the positive price movement that took place during the period.

Lower capital expenditures had a positive impact on cash flow for the period.

External financial liabilities at the end of the quarter were as follows:

(MSEK)	Nominal	Utilized (Nominal)	Available
Credit facilities			
Commercial paper programme, maturing within one year	5 000	1 000	4 000
Bond programme	7 000		4 000
Maturing December 2019		2 000	
Maturing June 2021		1 000	
Credit facility	5 000		5 000
Total	17 000	4 000	13 000

During the second quarter LKAB issued corporate bonds to a value of MSEK 1,000 and commercial papers to a value of MSEK 200. All credit facilities are subject to 100 percent retention of title.

MARKET AND SALES

THE STEEL AND IRON ORE MARKET

The global steel and iron ore industry

Global production of crude steel decreased in the second quarter by 0.2 percent compared with the same period last year. At the beginning of the quarter steel prices developed positively, particularly in China. The price changes were largely speculative in nature, and in May there was a downturn in prices in China. A weak domestic steel market with subdued demand resulted in continued high steel exports from China.

Demand for LKAB's iron ore products remains stable. The financial turmoil following the result of the UK referendum on leaving the EU ("Brexit") will not affect LKAB's deliveries in the short term, but if the turmoil and uncertainty persist, it cannot be ruled out that this may have an effect on deliveries. Demand for direct reduction pellets is good and this market is characterized by a shortage of materials.

EUROPE

Production of crude steel within the EU28 decreased in the second quarter by 5.6 percent compared with the same period last year. The automotive industry remains the sector that is doing best in Europe. Demand in the construction sector is more variable between the various EU countries.

Middle East and North Africa (MENA)

Production of crude steel decreased by 2.4 percent during the second quarter compared with the same period last year. The oil price strengthened during the quarter, which is positive for the region, but political unrest remains and the situation in MENA continues to be uncertain.

USA

Production of crude steel increased in the second quarter by 1.6 percent compared with the same period last year. Demand in the automotive and construction industries remained stable during the quarter. In the first half steel prices in the US developed strongly, but prices flattened out at the end of the second quarter.

China

Production of crude steel increased by 1.3 percent during the second quarter compared with the same period last year. China's iron ore imports remain stable and amounted to 252 Mt in the second quarter, an increase of 11.6 percent as compared year-on-year. During the quarter, port inventories of iron ore in China increased slightly to around 100 Mt. Growing iron ore stocks and continued high steel exports reinforce the picture of a weak domestic steel market in China.

Iron ore spot price developments

The second quarter began with a spot price⁴ of USD 55/tonne. During April the spot price rose substantially to USD 70.5/tonne, its highest level for the year. The price increase was largely speculative in nature and the price subsequently fell back, stabilizing in the range USD 50±5/tonne. At the end of the quarter it was USD 55/tonne. The average for the second quarter was USD 56/tonne, which was USD 7/tonne higher than in the preceding quarter. Quoted pellet premiums for blast furnace pellets and direct-reduction pellets remained stable during the quarter. In China the pellet premium increased during the quarter.

⁴Platts IODEX 62% Fe CFR North China

IRON ORE SPOT PRICE DEVELOPMENTS

January 1, 2009 - June 30, 2016

Source: PLATTS IODEX 62% Fe CFR North China



SEGMENT INFORMATION

As of January 2016 LKAB has a new Group structure that will be implemented during the year. During the implementation period, quarterly reporting will reflect the previous

segmentation into the Mining Division, Minerals Division and Special Businesses Division. Reporting based on the new structure will begin at latest with fourth quarter 2016.

MINING DIVISION

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2015
Net sales, MSEK	3,522	3,221	6,974	7,076	14,782
Underlying operating profit/loss, MSEK (note 1)	-277	-63	155	521	1,102
Urban transformation expenses, MSEK	-103	-251	-439	-475	-1,568
Impairment of property, plant and equipment					-7,136
Operating profit/loss, MSEK	-380	-314	-284	46	-7,602
Gross profit margin, %	neg	neg	1	6	neg
Operating margin, %	neg	neg	neg	1	neg
Production, Mt	6.1	5.8	12.9	12.0	24.5
Deliveries, Mt	6.7	5.3	13.0	11.2	24.2
Proportion of pellets, %	83	84	85	85	84

The operating loss for the quarter was MSEK -380 (-314) and the result for the first half was MSEK -284 (46). Higher delivery volumes for the first half were countered by a lower iron ore price and the effects of hedging activities.

MINERALS DIVISION

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2015
Net sales, MSEK	339	387	632	735	1,534
Operating profit/loss, MSEK	18	11	27	46	134
Gross profit margin, %	18	16	18	18	18
Operating margin, %	5	3	4	6	9

Net sales in the second quarter decreased by 12 percent when compared year-on-year. The lower sales levels were generally in line with expectations, while certain magnetite projects have been postponed somewhat. The operating margin increased from three to five percent, largely due to the product mix. Operating profit for the quarter was MSEK 18 (11) and profit for the first half was MSEK 27 (46).

Demand from the oil and gas market remains at a low level. A few large oil and gas projects that are still active could take on great significance during this year and the forthcoming years. Sales in Asia and the US indicate a positive trend, while development in the European markets is weaker.

SPECIAL BUSINESSES DIVISION

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2015
Net sales, MSEK	632	502	1,090	919	2,005
Gross profit/loss, MSEK	92	12	135	28	188
Gross profit margin, %	15	23	14	17	14
Operating margin, %	15	2	12	3	9

Net sales and operating profit for the first half improved year-on-year. This is mainly because of increased volumes by LKAB Berg & Betong for the Mining Division.

LKAB – PARENT COMPANY

OPERATIONS SUMMARY

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2015
Net sales, MSEK	3,711	3,230	6,536	7,081	14,770
Underlying operating profit/loss, MSEK (note 1)	-159	-47	-419	456	1,010
Urban transformation expenses, MSEK	-103	-251	-439	-475	-1,568
Impairment of property, plant and equipment, MSEK					-6,096
Operating profit/loss, MSEK	-262	-298	-858	-19	-6,654
Capital expenditures in property, plant and equipment, MSEK	926	1,460	1,787	2,865	5,817
Liquidity, MSEK			12,854	14,847	14,138
Gross profit margin, %	neg	neg	neg	4	neg
Operating margin, %	neg	neg	neg	0	neg

The operating result for the first half was a loss of MSEK -858, of which MSEK -308 was an effect of unrealized losses for hedging instruments. The net effect of unrealized gains and losses on hedging instruments is reported in the Group.

TRANSACTIONS WITH RELATED PARTIES

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

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

RISKS AND UNCERTAINTY FACTORS

LKAB is exposed to various risks. Risk management plays a vital part in minimizing the impact of factors that lie beyond the Group's control. The Group employs methods for evaluating and limiting these risks by ensuring that they are managed according to approved guidelines and methods.

LKAB works actively to identify, analyze and control how various types of risks affect the business and how

LKAB can best avoid or confront them. Effective risk management is a business-critical success factor.

Major risks are LKAB's access to land for the mining operations, volume dependency, the price of iron ore products and transaction exposure in USD.

For further information concerning risks, please refer to LKAB's 2015 Annual Report.

SIGNIFICANT ASSUMPTIONS AND ESTIMATES

The preparation of financial statements requires management and the Board of Directors to make assessments and assumptions that affect recognized assets, liabilities,

income and expenses and other information provided, such as contingent liabilities. For further information concerning these, please refer to LKAB's 2015 Annual Report.

OUTLOOK FOR 2016

LKAB expects the market situation to remain largely unchanged in 2016. The oversupply situation in iron ore fines will remain or increase when, among other things, an iron ore project that will be one of the largest iron ore mines in the world comes into production towards the end of the year. This means continued pressure on iron ore prices and thus also on LKAB's profitability.

With iron ore prices expected to remain low, LKAB is intensifying its adaptation work, focusing on productivity improvements and cost cutting in order to improve com-

petitiveness. Both ongoing and planned capital expenditures are being revised continuously.

The strategy to maximize pellet production remains in place. Demand for LKAB's pellet products is expected to be stable.

Work on urban transformation continues in 2016. Provisions for urban transformation will continue to be extensive during the year.

ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting, and applicable regulations in the Annual Accounts Act. Disclosures in accordance with IAS 34 are provided both in notes and elsewhere in the interim report. The interim report for the Parent Company was prepared in accordance with Chapter 9 of the Annual Accounts Act, Interim Reporting.

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


The accounting principles applied in this interim report conform with the accounting principles applied in the

preparation of the 2015 Annual Report. New and amended standards and interpretations from the IASB have had no impact on consolidated earnings, financial position or formulation of the interim report. There have been no significant changes in the structure of the Group during the period.

The Board of Directors and the Chief Executive Officer hereby confirm that this interim report provides a true and fair representation of the operations, financial position and results of the Parent Company and the Group, and describes significant risks and uncertainties faced by the company.

This report has not been subject to review by the company's auditor.

Luleå, August 12 2016
Luossavaara-Kiirunavaara AB (plc)



Stefan Jakobsson
Chairman of the Board



Leif Darner
Board member



Majja-Liisa Friman
Board member



Eva Hamilton
Board member



Lars-Åke Helgesson
Board member



Hanna Lagercrantz
Board member




Bjarne Moltke Hansen
Board member



Ola Salmén
Board member



Stefan Fagerkull
Employee representative



Tomas Strömberg
Employee representative



Jan Thelin
Employee representative



Jan Moström
President and CEO

FINANCIAL INFORMATION

DATE

Interim report Q3 2016	October 26 2016
Year-end report 2016	February 15 2017
Annual Report 2016	March 31 2017
Annual General Meeting	April 2017

Reports are available at www.lkab.com.

Any questions concerning the Interim Report may be directed to Jan Moström, President and CEO, or

Peter Hansson, Senior Vice President, Finance. Tel. +46 920 381 00.

CONSOLIDATED INCOME STATEMENT

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2015
Net sales	3,800	3,567	7,568	7,745	16,200
Cost of goods sold	-3,852	-3,490	-7,202	-7,036	-22,280
Gross profit/loss	-52	78	366	709	-6,080
Selling expenses	-37	-41	-74	-78	-165
Administrative expenses	-118	-118	-244	-257	-512
Research and development expenses	-65	-72	-116	-144	-365
Other operating income	58	57	113	125	318
Other operating expenses	-63	-132	-151	-207	-354
Operating profit/loss	-277	-228	-105	147	-7,156
Financial income	275	19	545	330	293
Financial expenses	-167	-339	-257	-289	-408
Net financial income/expense	108	-320	288	41	-115
Profit/loss before tax	-169	-548	183	188	-7,271
Tax	-44	132	-63	2	1,585
Profit/loss for the period	-214	-416	119	190	-5,686
Attributable to Parent Company shareholders	-214	-416	119	190	-5,686
Earnings per share before and after dilution (SEK)	-305	-594	171	272	-8,122
Number of shares	700,000	700,000	700,000	700,000	700,000

CONSOLIDATED COMPREHENSIVE INCOME

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2015
Profit/loss for the period	-214	-416	119	190	-5,686
Other comprehensive income for the period					
Items that cannot be transferred to profit for the year					
Actuarial gains and losses	-53	198	-91	-55	173
Tax attributable to actuarial gains and losses	13	-44	20	12	-38
Total items that cannot be transferred to profit for the year	-40	154	-71	-43	135
Items that have been or can be transferred to profit for the year					
Gains/losses on translation of foreign entities for the period	33	-19	51	-8	-85
Change in fair value of available-for-sale financial assets for the period	-63	10	19	-29	-284
Changes in fair value of cash flow hedges for the period	-446	-103	-825	615	126
Changes in fair value of cash flow hedges transferred to profit for the year	421	-134	-148	-51	414
Tax attributable to components of cash flow hedges	6	6	214	-124	-119
Total items that have been or can be transferred to profit for the year	-49	-34	-689	403	52
Other comprehensive income	-89	120	-760	360	187
Comprehensive income attributable to Parent Company shareholders for the period	-303	-297	-641	550	-5,499

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(MSEK)	30 June 2016	30 June 2015	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	215	239	215
Property, plant and equipment for operations	33,150	37,928	32,462
Property, plant and equipment for urban transformation	2,162	2,915	2,235
Shares in associated companies	38	0	45
Financial investments	737	865	581
Deferred tax asset	7	28	19
Non-current receivables	0	20	0
Total non-current assets	36,311	41,995	35,558
Current assets			
Inventories	2,824	2,909	2,915
Accounts receivable	1,762	1,313	1,320
Prepaid expenses and accrued income	689	182	282
Other current receivables	2,404	745	1,392
Current investments	10,425	12,005	10,225
Cash and cash equivalents	2,951	3,581	4,335
Total current assets	21,056	20,735	20,470
TOTAL ASSETS	57,366	62,730	56,028
EQUITY AND LIABILITIES			
Equity			
Share capital	700	700	700
Reserves	-537	503	152
Retained earnings including profit for the year	31,312	36,963	31,264
Equity attributable to Parent Company shareholders	31,475	38,166	32,116
Total equity	31,475	38,166	32,116
Non-current liabilities			
Non-current interest-bearing liabilities	2,984	1,995	1,996
Other liabilities	6		
Provisions for pensions and similar commitments	1,893	2,197	1,860
Provisions for urban transformation	9,682	9,821	10,951
Other provisions	1,206	1,152	1,178
Deferred tax liabilities	1,735	3,408	1,915
Total non-current liabilities	17,507	18,573	17,900
Current liabilities			
Current interest-bearing liabilities	1,535	800	1,000
Trade payables	1,381	1,574	1,573
Other current liabilities	1,733	435	443
Accrued expenses and deferred income	1,339	1,139	1,560
Provisions for urban transformation	2,287	1,922	1,283
Other provisions	110	120	152
Total current liabilities	8,385	5,990	6,011
Total liabilities	25,892	24,564	23,911
TOTAL EQUITY AND LIABILITIES	57,366	62,730	56,028

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(MSEK)	Equity attributable to Parent Company					
	Reserves					Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings incl. profit for the year	
Opening equity 1 Jan 2015	700	-65	481	-316	39,954	37,754
Profit/loss for the period					-5,686	-5,686
Other comprehensive income for the period		-85	-284	421	135	187
Comprehensive income for the period		-85	-284	421	-5,551	-5,499
Dividend					-139	-139
Closing equity 31 Dec 2015	700	-150	197	105	31,264	32,116

(MSEK)	Equity attributable to Parent Company					
	Reserves					Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings incl. profit for the year	
Opening equity 1 Jan 2016	700	-150	197	105	31,264	32,116
Profit/loss for the period					119	119
Other comprehensive income for the period		51	19	-759	-71	-760
Comprehensive income for the period		51	19	-759	48	-641
Dividend						
Closing equity 30 June 2016	700	-99	216	-654	31,312	31,475

CONSOLIDATED STATEMENT OF CASH FLOW

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2015
Operating activities					
Profit/loss before tax	-169	-548	183	188	-7,271
Adjustment for items not included in cash flow	1,482	1,045	2,116	1,990	11,581
Income tax paid	-32	-108	-402	-188	-315
Expenditures, urban transformation	-525	-17	-607	-98	-291
Expenditures, remediation	-12		-12		
Payment to retirement benefit plan				-10	-10
Cash flow from operating activities before changes in working capital	744	372	1,278	1,881	3,694
Cash flow from changes in working capital					
Increase (-)/Decrease (+) in inventories	146	-377	91	-357	-362
Increase (-)/Decrease (+) in operating receivables	-544	363	-1,918	958	300
Increase (+)/Decrease (-) in operating liabilities	66	-251	-185	-488	224
Change in working capital	-332	-265	-2,012	114	162
Cash flow from operating activities	411	107	-734	1,995	3,856
Investing activities					
Acquisition of property, plant and equipment	-1,024	-1,595	-1,912	-3,192	-6,354
Disposal of property, plant and equipment	12		46	2	150
Acquisition/divestment of financial assets	-518	642	-313	-446	1,357
Cash flow from investing activities	-1,530	-953	-2,179	-3,636	-4,847
Financing activities					
Amortization/Borrowing	1,738	1	1,529	3	204
Adjustment of other provisions					-96
Dividends paid to Parent Company shareholders		-139		-139	-139
Cash flow from financing activities	1,738	-138	1,529	-136	-31
Cash flow for the period	619	-984	-1,384	-1,777	-1,022
Cash and cash equivalents at start of period	2,332	4,565	4,335	5,358	5,358
Cash and cash equivalents at end of period	2,951	3,581	2,951	3,581	4,335
Change in cash and cash equivalents	619	-984	-1,384	-1,777	-1,022
Sub-components of cash and cash equivalents					
Cash and bank balances			2,901	3,017	2,548
Current investments (maturity <90 days)			50	564	1,787
Cash and cash equivalents			2,951	3,581	4,335
LIQUIDITY					
Cash and cash equivalents			2,951	3,581	4,335
Current investments (maturity >90 days <1 year)			10,425	12,005	10,225
			13,376	15,586	14,560

OPERATING CASH FLOW

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2015
Cash flow from operating activities	411	107	-734	1,995	3,856
Acquisition of property, plant and equipment	-1,024	-1,595	-1,912	-3,192	-6,354
Disposal of property, plant and equipment	12		46	2	150
Operating cash flow (excluding current investments)	-600	-1,488	-2,600	-1,195	-2,348
Acquisition/divestment of financial assets	-518	642	-313	-466	1,357
Cash flow from financing activities	1,738	-138	1,529	-136	-31
Cash flow for the period	619	-984	-1,384	-1,777	1,022

PERSONNEL

	30 June 2016	30 June 2015	31 Dec 2015
Average number of employees	4,177	4,359	4,463
– of which women	823	850	887
– of which men	3,354	3,509	3,576

KEY RATIOS IN PERCENT

	30 June 2016	30 June 2015	31 Dec 2015
Gross margin	4.8	9.2	neg
Profit margin	2.4	2.4	neg
Return on equity	neg	neg	neg
Net debt/equity ratio	17.6	3.7	10.0

INCOME STATEMENT

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2015
Net sales	3,711	3,230	6,536	7,081	14,770
Cost of goods sold	-3,811	-3,377	-7,078	-6,773	-20,675
Gross profit/loss	-99	-146	-543	309	-5,905
Selling expenses	-10	-12	-20	-24	-51
Administrative expenses	-76	-75	-158	-169	-343
Research and development expenses	-75	-75	-139	-145	-373
Other operating income	0	7	2	13	36
Other operating expenses	-2	3	0	-2	-17
Operating profit/loss	-262	-298	-858	-19	-6,654
Profit/loss from financial items	226	-271	672	-88	-52
Profit/loss after financial items	-37	-569	-186	-108	-6,706
Appropriations					1,645
Profit/loss before tax	-37	-569	-186	-108	-5,061
Tax	-30	124	41	23	1,082
Profit/loss for the period	-67	-445	-145	-85	-3,979

STATEMENT OF COMPREHENSIVE INCOME

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2015
Profit/loss for the period	-67	-445	-145	-85	-3,979
Other comprehensive income for the period					
Comprehensive income for the period	-67	-445	-145	-85	-3,979

BALANCE SHEET

(MSEK)	30 June 2016	30 June 2015	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	48	38	38
Property, plant and equipment for operations	27,618	31,133	27,076
Property, plant and equipment for urban transformation	2,162	2,915	2,235
Financial assets			
Participations in subsidiaries	1,859	1,768	1,884
Participations in associated companies	40	0	40
Receivables from subsidiaries	1,520	1,442	1,242
Other non-current securities	246	131	131
Other non-current receivables	107	92	107
Deferred tax asset	2,001	988	1,960
Total financial assets	5,773	4,420	5,365
Total non-current assets	35,601	38,506	34,714
Current assets			
Inventories	2,258	2,345	2,277
Current receivables			
Accounts receivable	1,469	889	1,063
Receivables from subsidiaries	1,308	1,576	1,324
Other current receivables	1,583	376	961
Prepaid expenses and accrued income	835	150	296
Total current receivables	5,195	2,991	3,645
Current investments	10,413	12,075	11,800
Cash and bank balances	2,441	2,771	2,338
Total current assets	20,307	20,184	20,060
TOTAL ASSETS	55,908	58,690	54,774

BALANCE SHEET

(MSEK)	30 June 2016	30 June 2015	31 Dec 2015
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (700,000 shares)	700	700	700
Statutory reserve	697	697	697
Non-restricted equity			
Retained earnings	16,025	20,003	20,003
Profit/loss for the year	-145	-85	-3,979
Total equity	17,277	21,316	17,422
Untaxed reserves	16,624	18,144	16,624
Provisions			
Provisions for urban transformation	9,682	9,821	10,951
Other provisions	1,547	1,468	1,526
Total provisions	11,229	11,289	12,478
Non-current liabilities			
Bond loans	2,984	1,995	1,996
Other non-current liabilities	6		
Total non-current liabilities	2,990	1,995	1,996
Current liabilities			
Liabilities to credit institutions	1,535	800	1,000
Trade payables	911	1,154	1,099
Liabilities to subsidiaries	1,128	866	1,170
Other current liabilities	722	122	204
Accrued expenses and deferred income	1,088	961	1,346
Provisions for urban transformation	2,287	1,922	1,283
Other provisions	110	120	152
Total current liabilities	7,787	5,945	6,254
TOTAL EQUITY AND LIABILITIES	55,908	58,690	54,774
Pledged assets	1,468	1,012	727
Contingent liabilities	221	343	240

KEY RATIOS IN PERCENT

	30 June 2016	30 June 2015	31 Dec 2015
Gross margin	neg	4.4	neg
Profit margin	neg	neg	neg
Return on equity	neg	neg	neg

Note 1 Key ratios – disclosures

Key ratios according to IFRS - definitions

Gross margin	Gross profit as a percentage of net sales for the period.
Profit margin	Profit after financial items as a percentage of net sales for the period.
Return on equity	Profit after tax as a percentage of average equity (rolling 12-month figures).

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

Underlying operating profit	Operating profit excluding costs for urban transformation provisions and impairment of property, plant and equipment.
Operating cash flow	Cash flow from operating activities and investing activities relating to property, plant and equipment.
Net financial indebtedness	Interest-bearing liabilities less interest-bearing assets.
Net debt/equity ratio	Net financial indebtedness divided by equity.

Reconciliation

Underlying operating profit

(MSEK)	Q2 2016	Q2 2015	Q1-2 2016	Q1-2 2015	Full year 2016
Operating profit/loss	-277	-228	-105	147	-7,156
Less:					
Costs for urban transformation provisions	103	251	439	475	1,568
Impairment of property, plant and equipment					7,136
Underlying operating profit	-174	23	334	622	1,548

Operating cash flow

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

Net financial indebtedness

(MSEK)	30 Jun 2016	30 Jun 2015	31 Dec 2015
Loans payable	4,519	2,795	2,996
Provisions for pensions	1,893	2,197	1,860
Provisions, urban transformation	11,969	11,743	12,234
Provisions, remediation	1,258	1,144	1,253
Less:			
Cash and cash equivalents	-2,951	-3,581	-4,335
Current investments	-10,425	-12,005	-10,225
Financial investments	-737	-865	-581
Net financial indebtedness	5,526	1,428	3,202

Net debt/equity ratio

(MSEK)	30 Jun 2016	30 Jun 2015	31 Dec 2015
Net financial indebtedness, MSEK	5,526	1,428	3,202
Equity, MSEK	31,475	38,166	32,116
Net debt/equity ratio, %	17.6	3.7	10.0

Note 2 Disclosures regarding financial instruments

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

Group, 30 June 2016

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	412			412
Shares, current holdings		3,101		3,101
Interest-bearing instruments		7,324		7,324
Cash and cash equivalents (short-term investments with maturities under three months)		50		50
Derivatives, cash flow hedges	-614	-150		-764
Total	-202	10,325		10,123

Group, 31 December 2015

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	361			361
Shares, current holdings		3,038		3,038
Interest-bearing instruments		6,868		6,868
Cash and cash equivalents (short-term investments with maturities under three months)		834		834
Derivatives, cash flow hedges	-687	-21		-708
Total	-326	10,719		10,393

Fair value calculation

The following summarizes the methods and assumptions mainly used in determining the fair value of financial instruments reported in the table above.

Level 1:

Quoted prices (unadjusted) on active markets for identical assets or liabilities.

Level 2:

Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:

Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest-bearing instruments

The value of interest-bearing instruments is calculated using data from the interest-bearing securities market, obtained from Bloomberg.

Shares and alternative investments

The value of these investments is calculated using data from the stock market or received directly from brokers.

Derivatives

The fair value of derivative contracts is calculated using official quotations obtained from Bloomberg.

No transfers have been made between Levels 1 and 2.

Fair value of other receivables and liabilities

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

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