

CONTINUED STRONG DEMAND FOR HIGHLY UPGRADED CLIMATE EFFICIENT IRON ORE PRODUCTS

Demand for LKAB's highly upgraded climate efficient iron ore products in the global market remains strong. The positive price trend resulted in strong earnings and cash flow for the third quarter.

OPERATIONS – THIRD QUARTER

MSEK	Note	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Full year 2016
Net sales		5,990	4,258	17,244	11,826	16,343
Underlying operating profit	7	2,076	762	5,484	1,095	1,621
Costs for urban transformation provisions		-263	-489	-794	-928	-2,106
Impairment of property, plant and equipment						-1,192
Operating profit/loss		1,813	273	4,690	167	-1,677
Net financial income/expense		35	359	205	647	613
Profit/loss before tax		1,849	632	4,895	815	-1,063
Profit/loss for the period		1,434	509	3,825	628	-978
Operating cash flow		1,916	214	6,549	-2,407	-2,762
Investments in property, plant and equipment		489	673	1,408	2,585	3,341
Depreciation		-741	-653	-2,090	-1,954	-2,746
Production of iron ore products, Mt		6.5	6.8	20.0	19.7	26.9
Deliveries of iron ore products, Mt		7.1	7.2	20.3	20.1	27.0
Proportion of pellets, %		81	84	83	84	84
Return on equity, %	7	6.6	1.2	6.6	1.2	neg
Net debt/equity ratio, %	7	-4.4	17.2	-4.4	17.2	20.7



“ LKAB's customers are continuing to demand more iron ore pellets and it is crucial that we continue to facilitate increasing volumes.

- Delivery volumes remained stable during the third quarter. Production volumes were lower, mainly because of a lengthy planned maintenance shutdown to replace a mantle ring in one of the pelletizing plants in the Southern Division.
- Net sales and operating profit increased in the third quarter, mainly due to higher market prices for highly upgraded iron ore products.
- The average global spot price¹ for iron ore products in the third quarter was USD 71 (59)/tonne compared with USD 63/tonne in the second quarter 2017. The global spot price fell at the end of the quarter and at the end of September USD 61/tonne. The price premium for pellets stayed at a high level.
- Operating cash flow remained strong and improved during the quarter by MSEK 1,702 in a year-on-year comparison.
- The net debt/equity ratio decreased to -4.4 (17.2) percent.
- The return on equity increased to 6.6 (1.2) percent.

¹Platts IODEX 62% Fe CFR North China

6.5Mt

Produced during the quarter

7.1Mt

Delivered during the quarter

81%

Percentage of pellets for the quarter

THE LKAB GROUP

NET SALES AND OPERATING PROFIT/LOSS

ANALYSIS OF CHANGE IN OPERATING PROFIT MSEK

	Q3	Q1-Q3
Operating profit Q3 2016	273	167
Prices, iron ore	1,337	4,469
Currency effect, iron ore	-346	100
Hedging of currency and iron ore price	730	231
Volume and mix, iron ore	-287	-199
Volume, price and currency, industrial minerals	7	81
Costs for urban transformation provisions	226	134
Depreciation	-88	-136
Other income and expenses	-39	-157
Operating profit Q3 2017	1,813	4,690

Net sales for the third quarter were 41 percent higher when compared year-on-year. The improvement is mainly due to higher market prices for highly upgraded iron ore products and a better result from price and currency hedging. Since the first quarter of this year LKAB has adopted a new strategy for price and currency hedging, as a result of which LKAB does not normally hedge price and currency risks.

The average spot price for iron ore for the quarter was USD 71 (59)/tonne. This was countered by a somewhat lower delivery volume, with a lower percentage of pellets, and a lower average dollar exchange rate.

The cost level, excluding volume effects, increased for the quarter as a result of the costs of maintenance work in the Southern Division, unplanned shutdowns in the pelletizing plants in Kiruna and an increased rate of exploration. During the quarter part of the machinery fleet at the open-pit mine in Mertainen was sold, having a positive impact on profits of MSEK 202.

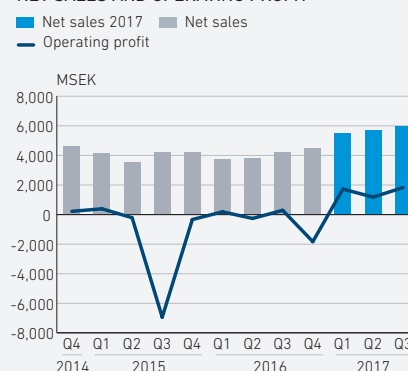
Operating profit for the first three quarters improved by MSEK 4,523 in a year-on-year comparison. The improvement is mainly due to higher market prices for highly upgraded iron ore products.

CASH FLOW

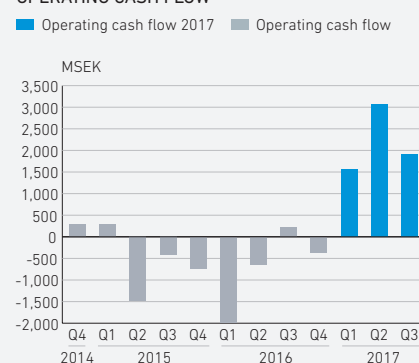
MSEK	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Full year 2016
Cash flow from operating activities before change in working capital	2,315	1,456	5,722	2,178	3,569
Change in working capital	-182	-574	1,956	-2,050	-3,043
Capital expenditures (net)	-217	-668	-1,129	-2,534	-3,288
Operating cash flow	1,916	214	6,549	-2,407	-2,762

Operating cash flow improved by MSEK 1,702 for the quarter and by MSEK 8,956 for the first three quarters of the year in a year-on-year comparison. The improvement is mainly due to improved profits, lower capital expenditures for investments and a reduction in capital tied up in pledged assets for outstanding hedging positions. This was countered by higher expenditure on urban transformation. For the first nine months of the year the capital tied up in accounts receivable decreased compared with the same period the previous year.

NET SALES AND OPERATING PROFIT



OPERATING CASH FLOW



RETURN ON EQUITY



THE LKAB GROUP

NET FINANCIAL INCOME/EXPENSE AND NET FINANCIAL INDEBTEDNESS

Net financial income/expense for the third quarter was MSEK 35 (359). The return on financial investments was lower than in the previous year. Net other financial income/expense, mainly in the form of lower net exchange gains/losses, had a negative effect.

Strong cash flow during the first three quarters resulted in lower net financial indebtedness. The net debt/equity ratio decreased to -4.4 (17.2) percent.

CREDIT FACILITIES

MSEK	Nominal	Utilized (nominal)	Available
Commercial paper programme, maturing within one year	5,000	800	4,200
Bond programme	7,000		4,009
Maturing December 2019		1,991	
Maturing June 2021		1,000	
Other bond financing	250	250	
Credit facility	5,000		5,000
Total	17,250	4,041	13,209

There were no changes in nominal credit facilities during the quarter. All credit facilities are subject to 100 percent retention of title.

OUTLOOK FOR 2017

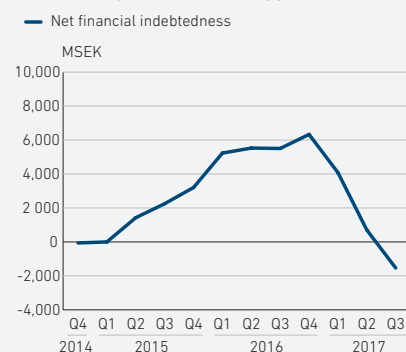
LKAB assesses that the oversupply situation within iron ore fines will continue, which is putting pressure on iron ore prices; at the same time, the premium for highly upgraded iron ore products is expected to remain high. Demand for LKAB's pellets continues to be strong and the strategy of maximizing pellet production remains in place. LKAB is continuing its adaptation work, focusing on profitability and productivity improvements to enhance competitiveness. Work on the urban transformation is moving into a more intensive phase with continued provisions and an increased number of acquisitions, which means increased expenditure over the coming year.

SEGMENT REPORTING

With effect from the first quarter 2017 LKAB Berg & Betong AB, LKAB Mekaniska AB and LKAB Kimit AB are being reported in the Special Products Division, rather than under Other Segments as in 2016. Earlier periods have been restated in accordance with the change.

Note 8 provides an overall summary of earnings for each division and for other operating segments, as well as for the Group.

NET FINANCIAL INDEBTEDNESS



NET DEBT/EQUITY RATIO



MARKET DEVELOPMENT

THE STEEL AND IRON ORE MARKET

THE GLOBAL STEEL AND IRON ORE INDUSTRY

Global production of crude steel increased in the third quarter by seven percent compared with the same period last year. During the quarter steel prices increased, while steel exports from China were lower than in the same period last year.

Customers' profitability may be regarded as good, which means that they are producing with capacity utilization unchanged. LKAB's DR customers are continuing to demand more pellets than contracted due to insufficient deliveries from LKAB's competitors. Demand for LKAB's iron ore products is strong, but LKAB is unable to deliver more than the contracted volumes.

Europe

Production of crude steel within the EU28 increased in the third quarter by four percent compared with the same period last year. The construction sector and the automotive industry remain strong. There is a certain amount of concern in the market that the growth of the automotive industry is not sustainable long-term, since it is largely credit-driven and is benefiting greatly from low interest rates.

Middle East and North Africa (MENA)

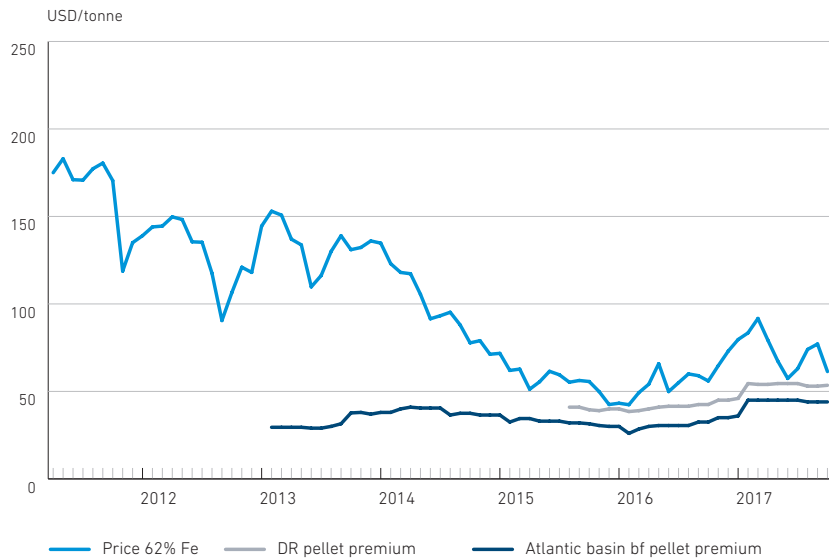
Production of crude steel increased by 24 percent during the third quarter compared with the same period last year. The oil price was relatively unchanged compared with the previous quarter. Demand for DR pellets remains high due to continued weak supply on the market.

USA

In the USA production of crude steel increased by six percent during the third quarter compared with the same period last year. In the year to date, crude steel production has been lower than expected despite increased capacity utilization and strict controls on imports. It is expected to develop better during the remainder of the year.

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

1 January 2011 – 30 September 2017



Source: PLATTS IODEX 62% Fe CFR North China

China

China's production of crude steel increased in the third quarter by eight percent compared with the same period last year. The increase is partly explained by the fact that a large part of illegal steel production from induction furnaces, which was not previously included in the official statistics, has been closed down and replaced by higher production at large established producers that are included in official reporting. China's iron ore imports remain stable, amounting to 278 Mt during the quarter. Port inventories of iron ore decreased, amounting to 133 Mt at the end of the quarter.

Iron ore spot price developments

The third quarter began with a spot price¹ of USD 65/tonne. The price continued to go up at the beginning of the quarter, reaching a peak of USD 79/tonne at the end of August. The price then remained relatively stable at around USD 75/tonne until the end of September, when it fell to USD 61/tonne. The average price for the third quarter was USD 71/tonne, which was USD 8/tonne higher than in the preceding quarter. Quoted pellet premiums for blast

furnace pellets and DR pellets remained stable at around USD 44/tonne and USD 54/tonne respectively. The premium for lump ore and the pellet premium in China increased substantially during the quarter, reaching a high of USD 29/tonne and USD 49/tonne respectively. The price difference between Platts IODEX 65% Fe and 62% Fe increased significantly, peaking at USD 24/tonne (quarterly average USD 19/tonne), which reflects increased demand for high-quality iron ore products.

THE INDUSTRIAL MINERALS MARKET

Gas pipeline projects and infrastructure projects with underwater structures remain a large market for heavy concrete and loose ballast, with LKAB Minerals' solutions being positively received by customers. Thanks to a number of major projects and deliveries, the total sales volume for 2017 is expected to be good. The construction market for projects such as tunnels, bridges, radiation protection and heavy foundations has shown growing market potential in all regions, in line with increased knowledge of technical solutions involving heavy concrete or ballast.

¹Platts IODEX 62% Fe CFR North China

NORTHERN DIVISION

The Northern Division comprises mines and processing plants in Kiruna.

OPERATIONS SUMMARY

MSEK	Note	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Full year 2016
Net sales		3,494	2,460	10,523	7,071	10,376
Underlying operating profit	7	1,402	796	4,299	1,712	2,891
Costs for urban transformation provisions		-250	-330	-718	-773	-1,727
Operating profit/loss		1,152	466	3,581	939	1,164
Investments in property, plant and equipment		104	124	436	605	884
Depreciation		-317	-298	-934	-900	-1,264
Deliveries of iron ore products, Mt		4.4	3.8	12.6	11.5	15.5
Proportion of pellets, %		83	89	87	90	90
Production of iron ore products, Mt		3.9	3.5	12.1	11.1	15.2

Production remained stable during the quarter. In the processing plants, production was limited somewhat as a result of a number of unplanned shutdowns in the pelletizing plants. The production volume for the third quarter increased by 11 percent and deliveries increased by 16 percent compared with the same period last year. Increased deliveries to the Special Products Division resulted in a lower percentage of pellets during the period.

Sales for the quarter increased by 42 percent year-on-year, which was mainly an effect of higher iron ore prices and higher delivery volumes. This was countered by a weaker dollar exchange rate.

Costs, excluding provisions for urban transformation, were 26 percent higher than in the same period last year, which was primarily an effect of higher volumes, higher energy prices and production disruption. Underlying operating profit for the third quarter increased by MSEK 606 compared with the third quarter 2016.

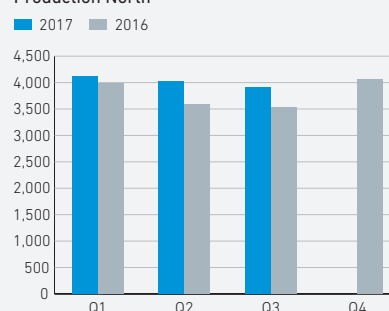
Higher production and delivery volumes, as well as higher iron ore prices, meant that operating profit for the first nine months was MSEK 2,642 higher than in the same period the previous year. Costs for the period increased by 16 percent, mainly as a result of increased volumes, higher energy prices and production disruption.

FACTS



- The Northern Division mines and processes iron ore products in Kiruna.
- The mining takes place in the Kiruna underground mine, which has an inclined slab of magnetite that is around 80 metres wide, four kilometres long and extends around two kilometres underground.
- The ore is processed above ground in three concentrating plants and three pelletizing plants.
- The Northern Division produces both blast furnace pellets and pellets for steelmaking via direct reduction, known as DR pellets.
- The processed iron ore products are transported along the Malmbanan and Ofotbanen ore railway to the port in Narvik, for shipment to steel mill customers around the world.
- The iron ore operations have a sales organization for the markets in Europe, Asia and the Middle East.

Production of iron ore products (k tonnes)
Production North



SOUTHERN DIVISION

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

OPERATIONS SUMMARY

MSEK	Note	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Full year 2016
Net sales		2,004	2,163	6,316	5,043	7,162
Underlying operating profit/loss	7	638	685	2,088	655	1,293
Costs for urban transformation provisions		-13	-159	-76	-155	-379
Impairment of property, plant and equipment						-1,192
Operating profit/loss		625	526	2,012	500	-278
Investments in property, plant and equipment		341	497	731	1,711	1,997
Depreciation		-258	-182	-661	-539	-782
Deliveries of iron ore products, Mt		2.6	3.5	7.7	8.7	11.5
Proportion of pellets, %		76	79	77	77	76
Production of iron ore products, Mt		2.6	3.2	7.9	8.6	11.7

Production and delivery volumes in the third quarter were lower than in the same period in the previous year. This is primarily due to a lengthy planned maintenance shutdown in Svappavaara to replace a mantle ring, but maintenance efforts and seismicity in the mine in Malmberget also limited production. Deliveries for the quarter amounted to 2.6 (3.5) Mt, with pellets accounting for 76 (79) percent of this.

Sales for the quarter decreased by seven percent, mainly as an effect of lower delivery volumes and a weaker dollar exchange rate. This was countered by higher iron ore prices.

Costs, excluding provisions for urban transformation, were lower than in the same quarter the previous year. Lower costs resulting from lower production and delivery volumes were countered by increased costs as a result of maintenance work in the Malmberget mine. Some of the machinery fleet at the open-pit mine in Mertainen was sold, with a positive effect on profits of MSEK 202. Underlying operating profit for the third quarter was MSEK 47 lower in a year-on-year comparison.

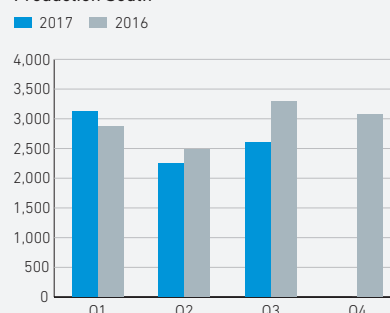
Operating profit for the first nine months of the year was MSEK 1,512 higher than in the same period the previous year, mainly as a result of higher iron ore prices.

FACTS



- The Southern Division mines and processes iron ore products in Malmberget and Svappavaara.
- The mining takes place in Malmberget's underground mine and the Svappavaara open-pit mines.
- Magnetite is mainly mined in the Malmberget mine, but also hematite. The mine has around 20 orebodies, of which around 10 are currently mined.
- In Svappavaara ore is mined in the Leveäniemi and Gruvberget open-pit mines.
- The ore is processed above ground in two concentrating and pelletizing plants in Malmberget and in one concentrating and pelletizing plant in Svappavaara.
- The Southern Division produces both blast furnace pellets and fines.
- The processed iron ore products are transported along the Malmbanan ore railway, mainly to the port in Luleå and on to European steel mill customers.
- The iron ore operations have a sales organization for the markets in Europe, Asia and the Middle East.

Production of iron ore products (k tonnes)
Production South



SPECIAL PRODUCTS DIVISION

The Special Products Division is a leading global supplier of industrial minerals, with a major focus on its own minerals of magnetite, mica and huntite. The division also provides products and services to LKAB, such as drilling systems, mechanical services, contract work and rockwork. These products and services are also marketed to external customers.

OPERATIONS SUMMARY

MSEK	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Full year 2016
Net sales	1,027	820	2,853	2,523	3,364
Operating profit/loss	93	122	281	258	351
Investments in property, plant and equipment	7	7	26	13	25
Depreciation	-13	-14	-45	-52	-68

Net sales for the third quarter amounted to MSEK 1,027 (820), which is 25 percent higher than in the same period last year. Increased delivery volumes of industrial minerals for offshore gas pipeline projects account for the most significant increase.

Operating profit for the quarter amounted to MSEK 93 (122), which is partly explained by a certain deterioration in margin due to higher purchase prices for iron ore. Profit for the third quarter 2016 was positively impacted by a non-recurring effect of MSEK 27 in respect of internal group restructuring.

For the first three quarters both sales and operating profit increased, primarily as an result of higher delivery volumes. The operating margin was somewhat lower for the period, mainly due to lower selling prices for both magnetite and other industrial minerals.

FACTS



- The Special Products Division covers LKAB Minerals, LKAB Wassara, LKAB Berg & Betong, LKAB Kimit and LKAB Mekaniska.
- LKAB Minerals mines and sells minerals and also processes and sells iron ore for applications outside the steel industry. The business has sales offices and production units in Europe, the US and Asia.
- LKAB Wassara develops and manufactures water-powered precision drilling systems for mining, construction and exploration drilling as well as dam building and geothermal energy. Customers are located throughout the world.
- LKAB Berg & Betong is a leading provider of full service solutions for the mining and construction industries. LKAB Berg & Betong is also the world's largest producer of sprayed concrete.
- LKAB Kimit supplies explosives to the mining and construction industries.
- LKAB Mekaniska is a quality-conscious engineering company offering services throughout the supply chain, from planning and design to final inspection.

OTHER SEGMENTS

Other Segments covers supporting operations such as Group-wide functions¹ and certain operations that are run as subsidiaries. Other Segments also covers financial operations, including transactions and gains/losses relating to financial hedging for iron ore prices, foreign currency effects and the purchase of electricity.

OPERATIONS SUMMARY

MSEK	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Full year 2016
Net sales excl. hedging	18	16	117	174	211
Net sales hedging	6	-724	-1,131	-1,362	-2,733
Total net sales	24	-708	-1,014	-1,188	-2,522
Operating profit/loss	-51	-838	-1,195	-1,542	-2,936
Investments in property, plant and equipment	36	45	214	256	436
Depreciation	-151	-159	-449	-463	-632

Improved profits for the quarter are mainly due to a better result from hedging activities compared with previous periods.

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 Northern Division and the Southern Division and the Group-wide functions reported under Other Segments. The Parent Company includes the majority of LKAB's operating activities as well as the company's financial activities.

OPERATIONS SUMMARY

MSEK	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Full year 2016
Net sales	5,534	3,944	15,826	10,479	14,904
Underlying operating profit	1,917	586	4,953	167	902
Costs for urban transformation provisions	-263	-489	-794	-928	-2,106
Impairment of property, plant and equipment					-1,184
Operating profit/loss	1,654	97	4,159	-761	-2,388
Investments in property, plant and equipment	454	643	1,288	2,430	3,087
Depreciation	-611	-521	-1,704	-1,561	-2,213
Deliveries of iron ore products, Mt	7.1	7.2	20.3	20.1	27.0
Production of iron ore products, Mt	6.5	6.8	20.0	19.7	26.9

SIGNATURES

Luleå, 27 October 2017
Luossavaara-Kiirunavaara AB (publ)



Jan Moström
President and CEO

FINANCIAL INFORMATION

Year-end Report 2017

14 February 2018

Annual and Sustainability Report 2017

30 March 2018

Interim Report 1 2018

26 April 2018

Annual General Meeting

26 April 2018

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.



AUDITOR'S REVIEW REPORT

Introduction

We have reviewed the interim report for Luossavaara-Kiirunavaara AB (publ) for the period 1 January 2017 to 30 September 2017. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion 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 less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm, 27 October 2017
Deloitte AB



Peter Ekberg
Authorized Public Accountant

LKAB – GROUP

CONDENSED INCOME STATEMENT

MSEK	Q3 2017	Q3 2016	Q1–Q3 2017	Q1–Q3 2016	Full year 2016
Net sales	5,990	4,258	17,244	11,826	16,343
Cost of goods sold	-4,191	-3,807	-12,095	-11,009	-17,116
Gross profit/loss	1,798	451	5,149	817	-773
Selling expenses	-22	-29	-84	-103	-143
Administrative expenses	-77	-99	-297	-343	-464
Research and development expenses	-84	-37	-242	-153	-245
Other operating income	285	53	407	166	227
Other operating expenses	-88	-66	-244	-216	-279
Operating profit/loss	1,813	273	4,690	167	-1,677
Financial income	114	432	426	860	898
Financial expense	-79	-73	-221	-213	-285
Net financial income/expense	35	359	205	647	613
Profit/loss before tax	1,849	632	4,895	815	-1,063
Tax	-415	-123	-1,070	-187	85
Profit/loss for the period	1,434	509	3,825	628	-978
Attributable to Parent Company shareholders	1,434	509	3,825	628	-978
Earnings per share before and after dilution (SEK)	2,049	726	5,464	897	-1,397
Number of shares	700,000	700,000	700,000	700,000	700,000

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q3 2017	Q3 2016	Q1–Q3 2017	Q1–Q3 2016	Full year 2016
Profit/loss for the period	1,434	509	3,825	628	-978
Other comprehensive income for the period					
Items that will not be reclassified to profit or loss					
Actuarial gains and losses	-41	-223	-64	-314	-79
Tax attributable to actuarial gains and losses	7	49	13	69	17
Total items that will not be reclassified to profit for the year	-34	-174	-51	-245	-62
Items that may be reclassified subsequently to profit or loss					
Gains/losses on translation of foreign operations for the period	37	34	-77	85	67
Change in fair value of available-for-sale financial assets for the period	22	123	96	142	345
Changes in fair value of cash flow hedges for the period	13	-184	39	-637	-969
Changes in fair value of cash flow hedges transferred to profit for the year	41	327	1,015	-193	-232
Tax attributable to components of cash flow hedges	-11	-31	-232	183	264
Total items reclassified to profit or loss	102	269	841	-420	-525
Other comprehensive income	68	95	790	-665	-587
Total comprehensive income for the period attributable to the Parent Company shareholders	1,502	604	4,615	-37	-1,565

LKAB – GROUP

CONDENSED STATEMENT OF FINANCIAL POSITION

MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	179	213	212
Property, plant and equipment for operations	31,176	33,341	32,076
Property, plant and equipment for urban transformation	1,863	2,076	2,009
Participations in associated companies	39	38	38
Financial investments	1,193	837	1,096
Deferred tax asset	31	15	30
Total non-current assets	34,480	36,556	35,461
Current assets			
Inventories	2,695	2,735	2,836
Accounts receivable	1,652	1,956	2,094
Prepaid expenses and accrued income	193	623	815
Other current receivables	1,034	2,302	2,525
Current investments	15,061	10,477	11,271
Cash and cash equivalents	5,367	3,187	2,624
Total current assets	26,001	21,281	22,165
TOTAL ASSETS	60,481	57,837	57,626
EQUITY AND LIABILITIES			
Equity			
Share capital	700	700	700
Reserves	469	-268	-373
Retained earnings incl. profit for the year	33,998	31,647	30,224
Equity attributable to Parent Company shareholders	35,166	32,079	30,551
Total equity	35,166	32,079	30,551
Non-current liabilities			
Non-current interest-bearing liabilities	3,235	3,234	3,234
Other liabilities	4	6	4
Provisions for pensions and similar commitments	1,802	2,105	1,877
Provisions for urban transformation	8,751	9,283	9,914
Other provisions	1,243	1,224	1,198
Deferred tax liabilities	1,826	1,847	1,512
Total non-current liabilities	16,861	17,700	17,740
Current liabilities			
Current interest-bearing liabilities	1,857	1,338	1,871
Trade payables	1,314	1,217	1,283
Other current liabilities	1,138	1,294	1,343
Accrued expenses and deferred income	903	1,284	1,559
Provisions for urban transformation	3,136	2,815	3,148
Other provisions	107	110	131
Total current liabilities	8,454	8,058	9,335
Total liabilities	25,315	25,758	27,075
TOTAL EQUITY AND LIABILITIES	60,481	57,837	57,626

LKAB – GROUP

CONDENSED STATEMENT OF CHANGES IN EQUITY

EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS						
		Reserves				
MSEK	Share capital	Translation reserve	Fair value reserve	Hedging reserve	Profit brought forward including profit for the year	Total equity
Opening equity 1 Jan 2016	700	-150	197	105	31,264	32,116
Profit/loss for the year					-978	-978
Other comprehensive income for the year		67	345	-937	-62	-587
Comprehensive income for the year		67	345	-937	-1,040	-1,565
Dividend						
Closing equity 31 Dec 2016	700	-83	542	-832	30,224	30,551

EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS						
		Reserves				
MSEK	Share capital	Translation reserve	Fair value reserve	Hedging reserve	Profit brought forward including profit for the year	Total equity
Opening equity 1 Jan 2017	700	-83	542	-832	30,224	30,551
Profit/loss for the period					3,825	3,825
Other comprehensive income for the period		-77	96	822	-51	790
Comprehensive income for the period		-77	96	822	3,774	4,615
Dividend						
Closing equity 30 Sep 2017	700	-160	638	-10	33,998	35,166

LKAB – GROUP

CONDENSED STATEMENT OF CASH FLOWS

MSEK	Q3 2017	Q3 2016	Q1–Q3 2017	Q1–Q3 2016	Full year 2016
Operating activities					
Profit/loss before tax	1,849	632	4,895	815	-1,063
Adjustment for items not included in cash flow	967	1,139	2,714	2,698	5,780
Income tax paid	-14	-35	-66	-437	-58
Expenditures, urban transformation	-487	-276	-1,821	-883	-1,035
Expenditures, other provisions		-3		-15	-55
Cash flow from operating activities before changes in working capital	2,315	1,457	5,722	2,178	3,569
Cash flow from changes in working capital					
Increase (-)/Decrease (+) in inventories	152	89	141	180	79
Increase (-)/Decrease (+) in operating receivables	-222	-258	2,041	-1,809	-2,610
Increase (+)/Decrease (-) in operating liabilities	-113	-405	-226	-421	-511
Change in working capital	-182	-574	1,956	-2,050	-3,043
Cash flow from operating activities	2,133	883	7,678	128	526
Investing activities					
Acquisition of property, plant and equipment	-489	-673	-1,408	-2,585	-3,341
Disposal of property, plant and equipment	272	5	279	51	53
Acquisition/divestment of financial assets	-1,304	-52	-3,789	-365	-1,159
Cash flow from investing activities	-1,521	-720	-4,918	-2,899	-4,447
Financing activities					
Repayments/borrowing	-117	53	-14	1,582	2,114
Cash flow from financing activities	-117	53	-14	1,582	2,114
Cash flow for the period	494	215	2,746	-1,190	-1,807
Cash and cash equivalents at start of period	4,873	2,951	2,624	4,335	4,335
Exchange difference in cash and cash equivalents	-1	20	-3	41	96
Cash and cash equivalents at end of period	5,367	3,187	5,367	3,187	2,624
Change in cash and cash equivalents	494	215	2,746	-1,190	-1,807
Sub-components of cash and cash equivalents					
Cash and bank balances	5,167	2,887	5,167	2,887	2,524
Current investments (maturity <90 days)	200	300	200	300	100
Cash and cash equivalents	5,367	3,187	5,367	3,187	2,624
Consolidated operating cash flow					
Cash flow from operating activities	2,133	883	7,678	128	526
Acquisition of property, plant and equipment	-489	-673	-1,408	-2,585	-3,341
Disposal of property, plant and equipment	272	5	279	51	53
Operating cash flow (excluding current investments)	1,916	214	6,549	-2,407	-2,762
Acquisition/disposal of financial assets (net)	-1,304	-52	-3,789	-365	-1,159
Cash flow after investing activities	612	162	2,760	-2,772	-3,921
Cash flow from financing activities	-117	53	-14	1,582	2,114
Cash flow for the period	494	215	2,746	-1,190	-1,807

LKAB – PARENT COMPANY

CONDENSED INCOME STATEMENT

MSEK	Q3 2017	Q3 2016	Q1–Q3 2017	Q1–Q3 2016	Full year 2016
Net sales	5,534	3,944	15,826	10,479	14,904
Cost of goods sold	-3,942	-3,741	-11,430	-10,819	-16,687
Gross profit/loss	1,592	203	4,396	-340	-1,784
Selling expenses	-6	-7	-22	-27	-38
Administrative expenses	-60	-58	-191	-216	-293
Research and development expenses	-73	-42	-230	-181	-278
Other operating income	217	1	222	3	15
Other operating expenses	-15	-1	-15	0	-10
Operating profit/loss	1,654	97	4,159	-761	-2,388
Profit/loss from financial items	132	254	230	926	854
Profit/loss after financial items	1,786	352	4,389	166	-1,534
Appropriations					-752
Profit/loss before tax	1,786	352	4,389	166	-2,285
Tax	-394	-23	-938	18	421
Profit/loss for the period	1,392	329	3,451	184	-1,865

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q3 2017	Q3 2016	Q1–Q3 2017	Q1–Q3 2016	Full year 2016
Profit/loss for the period	1,392	329	3,451	184	-1,865
Other comprehensive income for the period					
Comprehensive income for the period	1,392	329	3,451	184	-1,865

LKAB – PARENT COMPANY

CONDENSED BALANCE SHEET

MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	33	48	48
Property, plant and equipment for operations	25,916	27,741	26,449
Property, plant and equipment for urban transformation	1,863	2,076	2,009
Financial assets			
Participations in subsidiaries	2,120	1,859	2,120
Participations in associated companies	40	40	40
Receivables from subsidiaries	2,482	1,538	1,604
Other non-current securities	247	246	246
Other non-current receivables	110	107	110
Deferred tax asset	2,380	1,978	2,380
Total financial assets	7,380	5,769	6,501
Total non-current assets	35,191	35,634	35,007
Current assets			
Inventories	2,168	2,175	2,333
Current receivables			
Accounts receivable	1,212	1,565	1,785
Receivables from subsidiaries	378	1,256	1,201
Other current receivables	731	1,797	2,414
Prepaid expenses and accrued income	99	599	769
Total current receivables	2,419	5,218	6,170
Current investments	14,799	10,548	11,115
Cash and bank balances	4,819	2,450	2,124
Total current assets	24,205	20,390	21,742
TOTAL ASSETS	59,396	56,024	56,748

LKAB – PARENT COMPANY

CONDENSED BALANCE SHEET

MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
TOTAL EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (700,000 shares)	700	700	700
Statutory reserve	697	697	697
Non-restricted equity			
Retained earnings	14,160	16,025	16,025
Profit/loss for the period	3,451	184	-1,865
Total equity	19,008	17,606	15,557
Untaxed reserves	17,663	16,624	17,663
Provisions			
Provisions for urban transformation	8,751	9,283	9,914
Other provisions	1,533	1,555	1,486
Total provisions	10,285	10,838	11,400
Non-current liabilities			
Bond loans	3,235	3,234	3,234
Other non-current liabilities	4	6	4
Total non-current liabilities	3,239	3,240	3,238
Current liabilities			
Liabilities to credit institutions	1,857	1,338	1,871
Trade payables	972	826	929
Liabilities to subsidiaries	1,739	1,145	1,298
Other current liabilities	756	488	109
Accrued expenses and deferred income	636	993	1,403
Provisions for urban transformation	3,136	2,815	3,148
Other provisions	107	110	131
Total current liabilities	9,202	7,715	8,890
TOTAL EQUITY AND LIABILITIES	59,396	56,024	56,748

NOTES

NOTE 1

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 2016 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. With effect from the first quarter 2017 LKAB Berg och Betong AB, LKAB Mekaniska AB and LKAB Kimit AB are being reported in the Special Products Division, rather than under Other Segments as in 2016. Earlier periods have been restated in accordance with the change.

In the statement of cash flows, the comparative figures for 2016 have been restated compared with the figures recognised in the interim report for the third quarter 2016. This follows a reclassification between cash flow from operating activities and change in working capital and relates to a change in the recognition of financial hedging activities. This reclassification did not affect cash flow for the period. The comparative figures for 2016 have also been restated in respect of exchange gains/losses on cash and cash equivalents, which had a positive effect on cash flow for the first to third quarters 2016 of MSEK 41.

LKAB has begun working to implement the new accounting standard IFRS 15 Revenue from Contracts with Customers, which will come into effect at the beginning of 2018. Following a general analysis it is assessed that this will not have a material impact. In the fourth quarter sales models and contracts will be analyzed.

IFRS 9 Financial instruments also comes into effect at the beginning of 2018. Following a general analysis it is assessed that this will not have a material impact. In the fourth quarter a detailed analysis will be performed.

NOTE 2

Risks and uncertainties

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 2016 Annual Report.

NOTE 3

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 2016 Annual Report.

NOTE 4

Events after the end of the reporting period

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

NOTE 5

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 6

Disclosures regarding financial instruments

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

Group, 30 Sep 2017

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	834			834
Shares, current holdings		5,080		5,080
Interest-bearing instruments		9,981		9,981
Cash and cash equivalents (short-term investments with maturities under three months)		200		200
Derivatives	-2	-19		-21
Total	832	15,242		16,074

Group, 31 Dec 2016

(MSEK)	Level 1	Level 2	Level 3	Total
Shares, financial assets	738			738
Shares, current holdings		3,496		3,496
Interest-bearing instruments		7,775		7,775
Cash and cash equivalents (short-term investments with maturities under three months)		100		100
Derivatives	-911	-189		-1,100
Total	-173	11,182		11,009

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 values of derivative contracts are calculated using official quotations obtained from Bloomberg.

No transfers have been made between Levels 1 and 2.

Fair value of other receivables and liabilities

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

NOTES

NOTE 7

Key ratios – disclosures

Alternative key ratios

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

Definitions

Return on equity	Profit/loss after tax as a percentage of average equity (rolling 12-month figures).
Underlying operating profit	Operating profit/loss 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

	Q3 2017	Q3 2016	Full year 2016
MSEK			
Operating profit/loss	1,813	273	-1,677
Less:			
Costs for urban transformation provisions	263	489	2,106
Impairment of property, plant and equipment			1,192
Underlying operating profit	2,076	762	1,621

Operating cash flow

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

Net financial indebtedness

	30 Sep 2017	30 Sep 2016	31 Dec 2016
MSEK			
Loans payable	5,092	4,572	5,105
Provisions for pensions	1,802	2,105	1,877
Provisions, urban transformation	11,887	12,098	13,062
Provisions, remediation	1,303	1,264	1,276
Less:			
Cash and cash equivalents	-5,367	-3,187	-2,624
Current investments	-15,061	-10,477	-11,271
Financial investments	-1,193	-873	-1,096
Net financial indebtedness	-1,537	5,502	6,330

Net debt/equity ratio

	30 Sep 2017	30 Sep 2016	31 Dec 2016
MSEK			
Net financial indebtedness, MSEK	-1,537	5,502	6,330
Equity, MSEK	35,166	32,079	30,551
Net debt/equity ratio, %	-4.4	17.2	20.7

NOTE 8

Group overview

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

The divisions in summary, Q1–Q3 2017

MSEK	Northern	Southern	Special Products	Other	Eliminations/ group adjustments	Group
External income	10,190	6,178	1,951	-1,075		17,244
Internal income	333	138	902	61	-1,434	
Total net sales	10,523	6,316	2,853	-1,014	-1,434	17,244
Operating profit/loss	3,581	2,012	281	-1,195	11	4,690
Net financial income/expense						205
Profit/loss before tax						4,895

The divisions in summary, Q1–Q3 2016

MSEK	Northern	Southern	Special Products	Other	Eliminations/ group adjustments	Group
External income	7,042	4,942	1,131	-1,289		11,826
Internal income	29	101	1,392	101	-1,623	
Total net sales	7,071	5,043	2,523	-1,188	-1,623	11,826
Operating profit/loss	939	500	258	-1,542	12	167
Net financial income/expense						647
Profit/loss before tax						815

NOTES

NOTE 9

Pledged assets and contingent liabilities, Parent Company

Pledged assets

MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
<i>As pledged assets for own liabilities and provisions</i>			
Company-owned endowment insurance	110	107	110
Deposit of cash and cash equivalents	121	121	121
Collateral provided, derivatives	228	768	1,465
Pledged assets, bonds	1,025	532	1,071
Total pledged assets	1,484	1,528	2,767

Contingent liabilities

MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
Guarantees, FPG/PRI	14	14	14
Guarantees, GP plan	5	5	5
Guarantees, Swedish Tax Agency	63	76	76
Surety given for subsidiaries	33	49	49
Collateral, remediation	66	79	72
Total contingent liabilities	181	223	216

NOTE 10

Quarterly data for the Group

MSEK	Note	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net sales		5,990	5,713	5,541	4,517	4,258	3,800	3,768	4,252
Underlying operating profit		2,076	1,467	1,941	527	762	-174	507	128
Costs for urban transformation provisions		-263	-300	-231	-1,179	-489	-103	-335	-479
Impairment of property, plant and equipment					-1,192				
Operating profit/loss		1,813	1,166	1,710	-1,844	273	-277	171	-351
Net financial income/expense		35	58	111	-34	359	108	180	156
Profit/loss before tax		1,849	1,224	1,822	-1,878	632	-169	352	-195
Operating cash flow		1,916	3,063	1,571	-356	214	-644	-1,978	-736
Investments in property, plant and equipment		489	547	372	756	673	1,024	888	1,793
Deliveries of iron ore products, Mt		7.1	6.6	6.6	6.8	7.2	6.7	6.3	6.8
Proportion of pellets, %		81	84	86	84	84	83	86	82
Production of iron ore products, Mt		6.5	6.3	7.2	7.1	6.8	6.1	6.9	6.7
Return on equity, %		6.6	4.0	0.4	neg	1.2	neg	neg	neg
Net debt/equity ratio, %		-4.4	2.1	12.6	20.7	17.2	17.6	16.5	10.0

LKAB IN 2016 IN BRIEF

EUROPE

LKAB is the EU's largest iron ore producer and mines around 78 percent of all iron ore within the EU.

84%

of LKAB's revenue comes from pellet sales

2

LKAB is the world's second largest supplier of iron ore pellets

SINCE 1890

LKAB is one of Sweden's oldest industrial companies and has customer relationships dating back more than a century

4,224

Total number of employees in the Group

LKAB is organized into 3 divisions

NORTHERN DIVISION
Kiruna

SOUTHERN DIVISION
Malmberget and Svappavaara

SPECIAL PRODUCTS DIVISION
LKAB Minerals, LKAB Wassara and LKAB Berg & Betong

