

Contact person: Niklas Johansson, Senior Vice President Communication and Climate
Telephone: +46 (0)10 – 144 52 19
E-mail: Niklas1.johansson@lkab.com

Interim Report January – March 2020: Strong operating profit despite an uncertain world

Stable production and high deliveries strengthened LKAB's operating profit during the first quarter. Moving forward, however, the market is characterized by great uncertainty concerning the effects of the corona pandemic.

Net sales for the first quarter amounted to MSEK 8,044 (7,329), which is a 10 percent increase, while operating profit increased to MSEK 3,191 (2,506). The improvement is primarily a result of stable production and increased deliveries. Lower prices for highly upgraded iron ore products had a negative effect, primarily due to lower pellet premiums. Profit for the period was MSEK 1,879 (2,381), as net financial income/expense associated with the return on financial investments was affected by the negative stock market development. Operating cash flow was MSEK 1,792 (1,984).

Production during the quarter remained at a high level, amounting to 7.4 (6.5) Mt. Deliveries were also at a high level of 7.3 (6.1) Mt for the quarter.

The average spot price for iron ore during the quarter was USD 89 (83)/tonne. Quoted pellet premiums for blast furnace pellets were at a lower level than the same period previous year.

Uncertainty in the world around us

The direct impact of the outbreak of coronavirus (covid-19) on LKAB's operations has been limited to date, although the situation requires flexibility and various measures in the business. Work to ensure stable production

continues and towards the end of the quarter a two-week scheduled maintenance shutdown was successfully completed.

Given the global extent and its impact on communities and economies, LKAB will continue to be affected – although at present it is difficult to predict to what extent. The fact that the automotive industry is shutting down around Europe is impacting LKAB's customers in the steel industry, for example, as shown by a decline at the end of the first quarter.

“We are working actively, most importantly to prevent and reduce the spread of coronavirus in our local communities. We have no influence over the global impact of the virus, but we can take responsibility for ensuring continued production and operations in the Swedish orefields. We are also continuing our work to streamline production and are ready to redirect some delivery volumes to new customers and markets,” says Jan Moström, President and CEO of LKAB.

Investing for a future of sustainable mining

In parallel with improvement work within the existing structure, LKAB continues to drive future issues that will secure the operations in the long term – with exploration work having particularly high priority.

Together with customers and suppliers, work to develop the next generation of LKAB is also continuing with a focus on processes and technology for fossil-free steelmaking and on automated and sustainable mining.

Protracted planning processes

Work on the urban transformations is in an intensive phase, with an increased number of acquisitions as well as the construction of new replacement properties for property owners. The schedules are extremely tight, and as planning processes in Kiruna have become increasingly protracted LKAB now sees an increased risk that this, too, may impact production in 2020.

“In addition to the great uncertainty surrounding the future effects of corona, we are also seriously concerned about the protracted planning processes in our operating locations. We are now approaching the end of the road as regards one of the local development plans in Kiruna. With the way things have developed recently, we consider there to be a distinct risk that the failure of the municipality to make decisions will negatively impact production,” says Jan Moström.