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## **Interim Report January–March 2021: Record profit for the first quarter**

**LKAB delivered a record high operating profit for the first quarter with consistently high production in a continued favourable market. This positive development creates good conditions for the company’s transformational journey to a carbon-free operation.**

Net sales for the quarter were 52 percent higher than in the same period last year, and totalled MSEK 12,256 (8,044). Operating profit increased by 124 percent to a total of MSEK 7,153 (3,191), a historically high level for LKAB.

While both net sales and operating profit were positively affected by high spot price levels for iron ore and the pellets premium, they were countered somewhat by a lower dollar exchange rate. Operating cash flow was boosted to MSEK 3,812 (1,792).

*“Consistently high production is crucial for a competitive LKAB that is carbon-free in the long-term. In a favourable market with high price levels profitability is boosted further, as are the conditions for the massive investments we have ahead of us,” says Jan Moström, President and CEO, LKAB.*

Production and deliveries continued at a high level and the production for the first quarter was 7.4 (7.4) Mt and deliveries amounted to 6.9 (7.3) Mt.

*“There is strong demand from steel producers, and increasing the capacity of the ore railways to both Luleå and Narvik continues to be a matter of urgency if our deliveries are to meet demand,” says Jan Moström.*

**Favourable market position**

During the quarter, the average spot price for iron ore was USD 167 (89) per tonne, which is USD 33 per tonne higher than the previous quarter. Iron ore prices above USD 150 per tonne have not occurred since the record years 2010–2013. Quoted pellet premiums were also higher compared to the same period last year.

During the quarter, pellets accounted for 88 (89) percent of LKAB's deliveries.

**Successful exploration efforts**

Outcomes from the intensive exploration conducted over the past two years were presented during the quarter. In 2020, assets increased by 45 percent from around 1.2 to 1.7 billion tonnes, and for the first time, LKAB also confirmed major phosphorus assets. Among other things, the results provide a basis for decisions on future investments.

*“Everything starts with the high-quality iron ore in our mines, and our transformation planning forms the basis for the competitive production of fossil-free steel by our customers. Successful exploration is crucial for all mining operations and the outcomes from our exploration initiatives in recent years are an important part of the journey we have begun,” says Jan Moström.*

**Demo plant for fossil-free sponge iron**

Plans were presented during the quarter for an industrial scale plant on LKAB's industrial area in Malmberget. For completion in 2026, the plant will have annual production of 1.3 million tonnes of fossil-free sponge iron. The plant, which was established under the HYBRIT initiative, will be integrated with LKAB's pellets production, and forms an important part of our transformation planning. The intention is to expand sponge iron production to full industrial scale of 2.7 million tonnes by 2030 to provide our customers with raw materials for fossil-free steel.

*“HYBRIT marks the start of the industrialization of the new technology, and LKAB's journey on its way to becoming tomorrow's supplier of carbon-free sponge iron. By the time we're finished, we will have reduced the global emissions of our steel customers by 35 million tonnes per year, equivalent to three times the impact of parking all of Sweden's passenger cars forever,” says Jan Moström.*