

Record profits in a favourable market

LKAB sums up 2021 with operating profit at about 130 percent up on the previous year, driven mainly by high iron ore prices. Historically strong operating cash flow of SEK 20 billion puts the group in a stronger position to lead the climate transition of the iron and steel industry, while a dividend of SEK 12,4 billion is proposed for the group's owner, the Swedish state. Net sales for the year increased by 44 percent to MSEK 48,812 (33,914) and operating profit for the year amounted to a record MSEK 26,898 (11,654).

Operations in the fourth quarter

MSEK	Note	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Net sales	3, 4	9,064	9,082	48,812	33,914
Operating profit/loss		2,815	3,625	26,898	11,654
Net financial income/expense		352	321	1,484	797
Profit/loss before tax		3,167	3,945	28,382	12,452
Profit/loss for the period		2,599	3,079	22,604	9,757
Costs for urban transformation provisions		-83	-82	-372	-1,396
Operating cash flow		1,637	1,622	19,988	6,038
Investments in fixed assets		977	929	3,359	2,763
Depreciation		-818	-867	-3,132	-3,136
Deliveries of iron ore products, Mt		6.8	7.0	27.0	28.5
Proportion of pellets, %		78	83	83	84
Production of iron ore products, Mt		6.7	6.8	26.7	27.1
Return on equity, %	9			39.0	20.8
Net debt/equity ratio, %	9			-24.5	-3.0

6.7 Mt

Produced during the quarter

6.8 Mt

Delivered during the quarter

78%

Percentage of pellets
for the quarter

- **The production volume** for the fourth quarter was affected mainly by production disruptions and by extended maintenance shutdowns associated with corona measures in the spring, but despite this was on a par with the previous year and amounted to 6.7 (6.8) Mt.
- **The delivery volume**, which for the quarter was affected by a somewhat lower production volume, amounted to 6.8 (7.0) Mt, with pellets accounting for 78 (83) percent.
- **Operating profit** for the fourth quarter was 22 percent lower than in the same period last year and amounted to MSEK 2,815 (3,625). Profit was affected mainly by the costs of extended maintenance shutdowns as well as costs relating to a new Enterprise Resource Planning (ERP) system and a donation to a newly established foundation.
- **The average global spot price¹** for iron ore products in the fourth quarter was USD 110 (134) per tonne, which was USD 54 lower than in the previous quarter. The price at the end of the year was USD 119 per tonne. Quoted pellet premiums for the quarter were around USD 30 per tonne higher than in the same period last year.
- **Operating cash flow** for the fourth quarter was MSEK 1,637 (1,622).
- **The return on equity** was 39.0 (20.8) percent.
- **The net debt/equity ratio** was -24.5 (-3.0) percent.
- The Board of Directors is proposing to the Annual General Meeting that **an ordinary dividend** is paid amounting to MSEK 12,430.

¹ Platts IODEX 62% Fe CFR North China.

LKAB – Group

Net sales and operating profit

Analysis of change in operating profit MSEK

	Q4	Full year
Operating profit 2020	3,625	11,654
Iron ore prices incl. hedging	-385	18,786
Currency effect, iron ore incl. hedging of accounts receivable	469	-2,614
Volume and mix, iron ore	-69	-404
Volume, price and currency, industrial minerals	12	70
Costs for urban transformation provisions	0	1,025
Depreciation	49	3
Other income and expenses	-886	-1,622
Operating profit 2021	2,815	26,898

Sales for the fourth quarter were at the same level as in the same period last year, amounting to MSEK 9,064 (9,082). Lower prices for highly upgraded iron ore products and lower delivery volumes were offset by a higher dollar exchange rate. The average global spot price¹ for iron ore products for the fourth quarter was USD 110 (134) per tonne. Premiums for highly upgraded products were higher, however, than in the same quarter last year.

Operating profit for the quarter was also affected by higher energy prices, increased maintenance work and increased expenses for crushed ore handling associated with the seismic event in the Kiruna mine in May 2020. During the quarter LKAB made a donation of MSEK 200 to a newly established foundation for research into the sustainable transition of the mining and minerals industry. The ongoing implementation of a new Enterprise Resource Planning (ERP) system also affected costs for the quarter by just over MSEK 200. Operating profit amounted to MSEK 2,815 (3,625).

Sales for the full year were 44 percent higher than in the previous year, with higher iron ore prices partly offset by a lower dollar exchange rate. The average spot price for iron ore for the year was USD 160 (109) per tonne and quoted pellet premiums were on average USD 34 higher than in the same period last year. The cost level – excluding provisions for urban transformation and volume effects – was higher than in the previous year, partly because of higher energy prices, extended maintenance shutdowns, the seismic event in the mine in Kiruna in 2020 and increased rock reinforcement. Increased investments for the future relating to exploration and development programmes, as well as a new ERP system and a donation to a foundation for research, also contributed to higher costs than in the previous year. Operating profit for the year amounted to MSEK 26,898 (11,654).

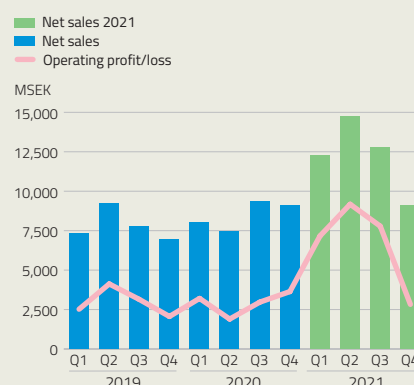
Cash flow

MSEK	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Cash flow from operating activities before expenditure on urban transformation and changes in working capital	3,022	4,149	25,207	13,707
Expenditures, urban transformation	-1,293	-1,113	-2,681	-4,191
Cash flow from operating activities before changes in working capital	1,729	3,036	22,526	9,516
Change in working capital	816	-452	959	-553
Capital expenditures (net)	-861	-927	-3,217	-2,693
Acquisition of subsidiaries	–	–	-150	–
Acquisition/divestment of financial assets	-47	-35	-130	-232
Operating cash flow	1,637	1,622	19,988	6,038

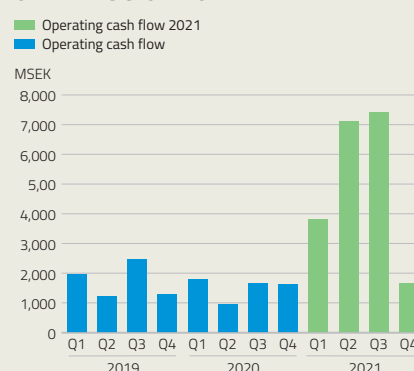
Operating cash flow for the fourth quarter amounted to MSEK 1,637 (1,622) and for the full year to a record MSEK 19,988 (6,038). Higher operating profit, lower expenditure for urban transformation and a decrease in working capital tied up in accounts receivable had positive effects compared with the previous year. Cash flow was negatively affected by increased capital expenditure.

¹ Platts IODEX 62% Fe CFR North China.

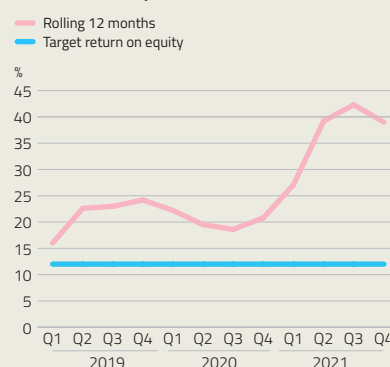
NET SALES AND OPERATING PROFIT/LOSS



OPERATING CASH FLOW



RETURN ON EQUITY



LKAB – Group

Net financial income/expense and net financial indebtedness

Net financial income/expense for the fourth quarter amounted to MSEK 352 (321) and for the full year to MSEK 1,484 (797), with the increase mainly relating to a higher return on financial investments.

The net debt/equity ratio was -24.5 (-3.0) percent, which is mainly due to positive cash flow at a historically high level.

Proposed dividend

The Board of Directors is proposing to the Annual General Meeting an ordinary dividend amounting to MSEK 12,430, which is 55 percent of profit for the year.

Credit facilities

MSEK	Nominal	Utilised (nominal)	Available
Commercial paper programme, maturing within one year	5,000	0	5,000
Bond programme	7,000		5,000
<i>Maturing March 2025, green bonds</i>		2,000	
Other bond financing, maturing 2022	250	250	0
Credit facility	5,000	0	5,000
Total	17,250	2,250	15,000

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

Events during the quarter

The production of crushed ore was to a certain extent still affected following the substantial seismic event in the Kiruna mine in spring 2020. The supply of crushed ore to the processing plants has been able to be ensured by redirecting crushed ore between the production locations, but this still involved increased costs.

The effects of the corona pandemic continued to require flexibility and measures in the operations during the quarter. Maintenance shutdowns were substantially reduced in scope during the spring to reduce the risk of spreading infection, resulting in extended maintenance work in the second half – which in turn had a negative impact on both production volumes and maintenance costs.

In November there was a derailment on the Ore Railway which resulted in all traffic on the section between Gällivare and Kiruna being stopped for eight days. The incident demonstrates the sensitivity and risk that results from the lack of double tracks. The Swedish Transport Administration's proposed national infrastructure plan, which was presented in November, includes various necessary measures relating to the Ore Railway. However, these are assessed to be insufficient to meet the needs arising in light of the total planned industrial investments in Norrbotten.

To increase flexibility in the transition that LKAB is embarking on, an extraordinary general meeting in October established new financial targets for 2022 onwards which state that the return on equity is to be 9 percent and the debt/equity ratio is not to exceed 60 percent. The dividend is to continue to be in the range of 40-60 percent.

LKAB has, for some time, negotiated with Narvik Municipality on the acquisition of industrial land in close proximity to LKAB's port area. However, during the quarter it was announced that Narvik Municipality has decided to sell part of this land to another party. Access to industrial land close to the port area is of strategic importance for LKAB's transition, which means the decision may affect LKAB's possibilities for development of the business in Narvik. Continued discussions are under way between the parties concerned.

Outlook for 2022

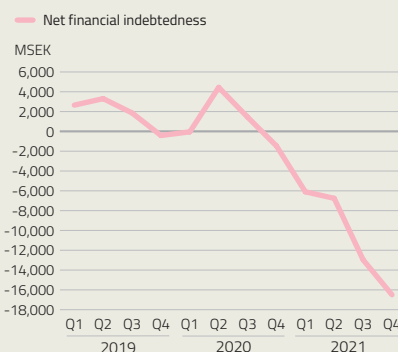
Demand for LKAB's highly upgraded iron ore products remains good. Iron ore prices and premiums remain at a high level in the early part of 2022.

The development of the corona pandemic is being closely monitored and operations may have to be adapted if needed.

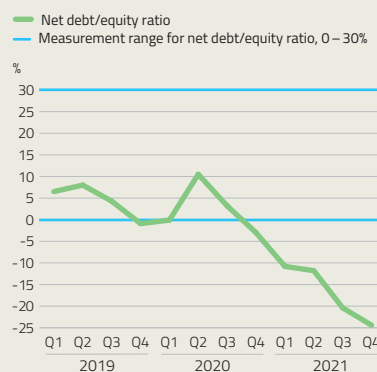
LKAB is continuing on its journey to transform itself into tomorrow's sponge iron supplier, with the aim of being able to provide our customers with the raw materials for fossil-free steel.

Work on urban transformation is in an intensive phase, which means that expenditure will remain high in 2022. Gällivare Municipality has still not approved the necessary zoning plan amendment for eastern Malmberget, which risks delaying the schedule for the phase-out area and thus limiting future production.

NET FINANCIAL INDEBTEDNESS



NET DEBT/EQUITY RATIO



RISKS AND RISK MANAGEMENT

LKAB operates in a capital-intensive industry with a planning horizon that extends across several decades. LKAB must therefore consider risks and opportunities that have a bearing on the business as it is today, but must also act today for a transformation to entirely new future conditions. The global climate threat means the iron and steel industry will need to change fundamentally. For LKAB, this brings both risks and opportunities. In view of this, LKAB has begun the process of producing disclosures according to TCFD (Task Force on Climate-related Financial Disclosures) guidelines. Managing both risks and opportunities from a climate perspective is a key tool for securing LKAB's resilience and adaptability as the climate changes.

LKAB is carefully monitoring developments in Cementa's permit process since an interruption in cement deliveries would have very serious consequences for LKAB's production. LKAB is analysing the risks and evaluating both short-term solutions and long-term sustainable alternatives.

The risk of a lack of efficient, legally secure processes has materialised with the complete rejection by the Land and Environment Court of LKAB's application for the operations in Kiruna – a decision that LKAB has appealed.

For further information concerning risks please refer to LKAB's Annual and Sustainability Report.

Sustainable development

Follow-up of objectives

MSEK	Q4 2021	Q4 2020	Full year 2021	Full year 2020	Objective for 2021
Accidents involving absence (no. per million hrs) ¹	9.7	7.8	8.2	6.3	3.5
Women in the total workforce (%)	–	–	25	25	25
Women managers (%)	–	–	27	23	25
Particulate emissions (mg/m ³ ntg)	–	–	18	29	10
Nitrogen emissions to water (g/t FP)	18	18	22	20	21
Energy consumption (kWh/t FP)	174	160	165	159	138
CO ₂ emissions (kg/t FP)	25	22	25	25	24
Nitrogen emissions to air (g/t FP)	171	139	161	140	<158

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

The accident rate for full-year 2021 increased compared with the previous year and was 8.2 (6.3). Safe, healthy workplaces are crucial for LKAB to be sustainable long-term and there is a major focus on measures to turn around the negative trend. Group-wide work on the safety culture – aimed at increasing awareness among managers, co-workers and suppliers – is in progress to avert serious near-misses and accidents.

The percentage of women at the end of the year was 25 percent (25), which is in line with the goal for 2021. The proportion of female managers was 27 percent (23).

In the fourth quarter particulate emissions remained at a high level in Kiruna and Narvik, but measures are planned for the forthcoming maintenance shutdowns.

Energy intensity increased compared with the same period last year, partly due to lower production volumes. The CO₂ intensity for the year was also affected by lower production volumes. Ongoing trials to replace fuel oil with tall oil at one of the pelletising plants in Malmberget have resulted in 40,000 tonnes of fossil carbon dioxide – corresponding to six percent of the total emissions – being avoided in 2021. Substituting carbon with alternatives in processing is essential for further reducing CO₂ intensity in the current production system.

The increase in nitrogen to air is largely due to the trials involving tall oil at the pelletising plant in Malmberget. Tall oil is efficient and has a positive impact on emissions except for nitrogen, which tall oil generates more of than fuel oil. Methods to reduce the generation of nitrogen oxides are being developed.

During the year new strategic targets for sustainable value creation have been established. The targets will take effect from 2022 and will be described in LKAB's annual and sustainability report for 2021, which is to be published on Mars 30 2022.

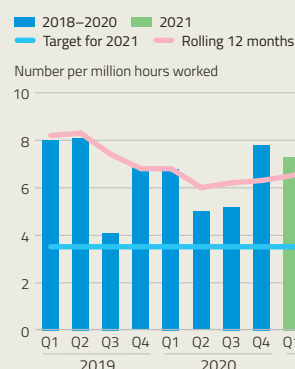
Strategic sustainability work

LKAB's strategy and transformation plan aim not just to achieve the objective of carbon-free processes and products by 2045. A crucial element of the strategy is to increase the value added by processing and to gradually transition to the production of carbon-free sponge iron, which will enable our global customers to reduce their carbon dioxide emissions. The transformation will also put us in a position to more than double sales and will secure our competitiveness over time. This is a process that will take many years, with various development projects and initiatives being gradually integrated into the operations. Costs related to these investments for the future therefore increased both during the quarter and for the full year.

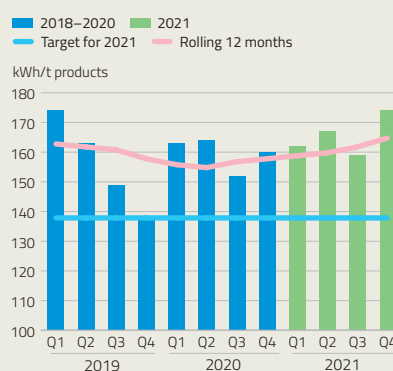
During the quarter LKAB and Boliden announced that they have signed an agreement to begin working together on investigating the possibility of extracting pyrite concentrate from mining waste at the Aitik mine, which LKAB will subsequently process into fossil-free sulphuric acid. The sulphuric acid will then be used in the processes for extracting rare earth elements and phosphorus, among other things, from LKAB's mining waste.

During the quarter Tekniska Verken i Kiruna and LKAB agreed to implement a joint initiative. From 2024 onwards around 70 percent of the energy used for district heating in Kiruna will come from waste heat reclaimed from LKAB's ore processing.

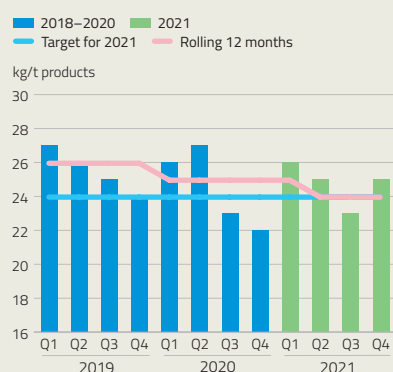
ACCIDENTS



ENERGY CONSUMPTION



CO₂ EMISSIONS



25%

% women

27%

% female managers

Market development

The steel and iron ore market

The global steel and iron ore industry

Global production of crude steel fell by just on seven percent in the fourth quarter compared with the same period last year, but increased by nearly four percent for full-year 2021.

In the fourth quarter China's production of crude steel was just over 20 percent lower than the record level reached in the second quarter. For full-year 2021 production fell by three percent compared with 2020. The lower production in China is a result of the government's directive to reduce environmental impact as well as reduced activity in the construction market, including infrastructure. The growth in China's industrial production was also lower than in previous years.

In Europe (EU27) crude steel production increased by just over 15 percent in 2021 compared with a weak 2020, but capacity utilisation was lower than during the historic peaks. Steel production in the US increased by over 18 percent compared with the previous year. Europe and the US had at times a shortage of components and semiconductors, which adversely impacted demand for steel. The cost of electricity and other types of energy rose substantially on the spot markets in Europe, which is likely to have had a slowing effect on industrial production.

Demand for iron ore remained at a high level in most geographic markets, with the exception of China where iron ore was sold back by the steel companies to the spot market during the autumn and inventories of iron ore increased at Chinese ports. For producers of high-grade ore and iron ore pellets, demand was good.

Steel prices around the world rose substantially in the first half and for the full year were on average significantly higher than in 2020. In Europe prices slowed in the second quarter, and in the second half decreased from a very high level. In the US the strong price level was sustained up to the fourth quarter, but there too reduced from a high level from October onwards. Prices at the end of the year were at historically high levels despite the downturn in prices.

The lower steel production in China and increased supply of iron ore on the spot market resulted in the iron ore price falling from a high level up until mid-September, then partly recovering when the market reached equilibrium. At the end of the year the iron ore price remained higher than the cost level for high-cost mines.

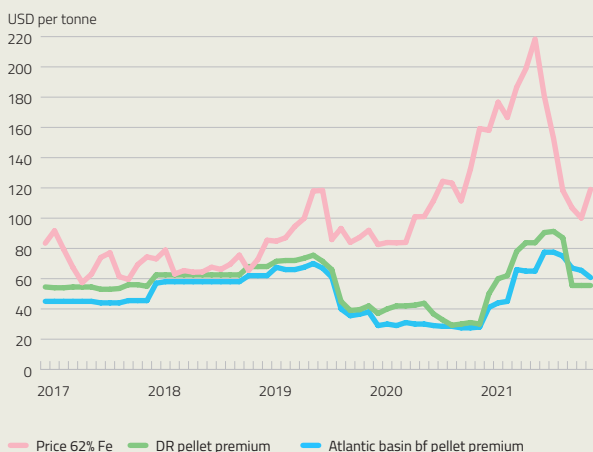
Iron ore spot price developments

The spot price (IODEX 62% Fe) for fines fell to an average of USD 110 (134) per tonne in the fourth quarter, compared with USD 164 in the previous quarter. The price varied during the quarter between a high of USD 137 and a low of USD 87 per tonne. At the end of the year the price had risen to USD 119 per tonne.

Quoted pellet premiums for blast furnace pellets and DR pellets decreased and for the fourth quarter averaged USD 56 (28)/tonne and USD 64 (30)/tonne respectively, compared with USD 77/tonne and USD 90/tonne respectively in the previous quarter. The difference in price between high-grade iron ore and standard-grade ore (Platts IODEX 65% Fe and 62% Fe) decreased to USD 19 (12)/tonne, compared with USD 27/tonne in the third quarter.

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

1 January 2017 – 31 December 2021

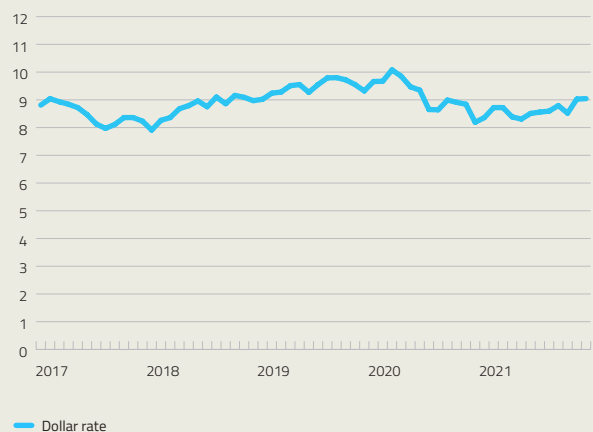


Source: PLATTS

CHANGES IN THE DOLLAR EXCHANGE RATE

1 January 2017 – 31 December 2021

USD/SEK



Source: Nasdaq

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	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Net sales	3.4	8,486	8,454	46,135	31,727
Operating profit/loss		3,613	3,820	28,432	12,756
Costs for urban transformation provisions		-83	-82	-372	-1,396
Investments in fixed assets		1,005	776	3,154	2,472
Depreciation		-733	-797	-2,835	-2,864
Deliveries of iron ore products, Mt		6.8	7.0	27.0	28.5
Proportion of pellets, %		78	83	83	84
Production of iron ore products, Mt		6.7	6.8	26.7	27.1

The production volume for the fourth quarter was affected by production disruption in the processing plants as well as extended maintenance shutdowns as a result of efforts deferred from the first half, when maintenance shutdowns were significantly reduced to reduce the risk of spreading Covid-19. Despite this, production was at the same level as in the same period the previous year. The delivery volume was affected by the lower production and amounted to 6.8 (7.0) Mt, with pellets accounting for 78 (83) percent.

Sales for the fourth quarter were at the same level as in the same quarter the previous year. Lower delivery volumes and lower prices for highly upgraded iron ore products were offset by a higher dollar rate.

Operating profit for the quarter was MSEK 3,613 (3,820). Higher energy prices, extended maintenance shutdowns and measures to secure the supply of crushed ore following the seismic event in the Kiruna mine in May 2020 increased costs for the quarter.

The production volume for the full year decreased by 0.4 Mt in a year-on-year comparison and amounted to 26.7 (27.1) Mt. The decrease was mainly an effect of extended maintenance shutdowns, start-up problems following maintenance shutdowns and production disruption at the processing plants. Deliveries for the year were affected mainly by lower production volumes and lower inventory levels when compared year on year and amounted to 27.0 (28.5) Mt, with the proportion of pellets at 83 (84) percent.

Sales for the year increased by 45 percent year on year, mainly due to higher prices for highly upgraded iron ore products. A lower dollar exchange rate and lower delivery volumes had a negative impact on sales.

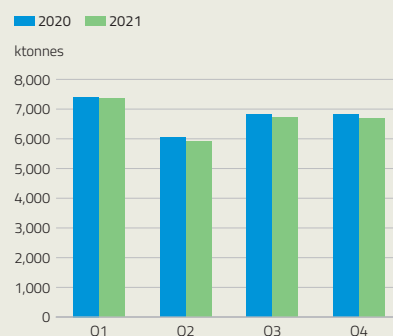
Operating profit for the year amounted to MSEK 28,432 (12,756). Higher energy prices, costs for extended maintenance shutdowns, measures to secure the supply of crushed ore and increased rock reinforcement resulted in higher costs for the period. Lower costs for urban transformation provisions as well as lower delivery volumes had a positive effect on costs compared with the same period last year.



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 Malmaban and Ofotbanan 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 Group.

Operations summary

MSEK	Note	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Net sales	3.4	1,595	1,188	5,633	4,362
Operating profit/loss		105	91	380	261
Investments in fixed assets		57	52	147	145
Depreciation		-63	-47	-216	-192

Net sales for the fourth quarter increased by 34 percent year on year, mainly due to higher selling prices and higher sales volumes for the industrial minerals magnetite and GGBS. Increased sales of engineering services and of rock reinforcement materials also had a positive effect. Higher sales to the Iron Ore business area compared with the same period last year and the acquisition of 75 percent of the shares in Bergteamet AB in August contributed to the improved sales. Operating profit for the quarter was 15 percent higher than in the same period last year and amounted to MSEK 105 (91).

Net sales for the year increased by 29 percent compared with the previous year. All the operating segments within the business area contributed to the increase, but the greatest impact was from higher selling prices and from improved sales volumes for industrial minerals. In the previous year the business area was also adversely impacted by the ongoing pandemic as well as the rockfall in the mine in Kiruna. Operating profit amounted to MSEK 380 (261) for the year, which is an increase of 46 percent.

Investments in non-current assets increased during the quarter and for the year, as did depreciation. This was partly an effect of the acquisition of Bergteamet AB.

FACTS

- The Special Products business area covers LKAB Minerals, LKAB Wassara, LKAB Berg & Betong, LKAB Kimit, LKAB Mekaniska and Bergteamet AB.
- LKAB Minerals is active in the industrial minerals market, with a leading position in areas such as 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 and Bergteamet AB are leading providers 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 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	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Net sales excl. hedging		30	34	97	83
Net sales hedging		-64	128	-126	-36
Total net sales	3, 4	-34	162	-29	47
Operating profit/loss		-861	-248	-1,758	-1,291
Investments in fixed assets		-84	101	58	147
Depreciation		-20	-21	-79	-78

The lower operating profit for the fourth quarter and for the full year when compared year on year is mainly due to higher costs resulting from expensing of the ongoing installation of a new ERP system and a donation to a newly established foundation for research into the sustainable transition of the mining and minerals industry. Increased exploration activities and ongoing development projects also increased costs for the period. A lower result for hedging activities has negatively impacted operating profit for the full 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.

Investments for the quarter and for the year are affected by the expensing of the ongoing installation of a new ERP system.

1) Group-wide functions within Other Segments mainly refers to the Group functions for HR, communications 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	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Net sales		8,459	8,622	46,103	31,743
Operating profit/loss		2,712	3,563	26,431	11,196
Costs for urban transformation provisions		-83	-82	-372	-1,396
Investments in fixed assets		860	850	3,068	2,481
Depreciation		-646	-596	-2,464	-2,384
Deliveries of iron ore products, Mt		6.8	7.0	27.0	28.5
Production of iron ore products, Mt		6.7	6.8	26.7	27.1

Signatures

Luleå, 14 February 2022
Luossavaara-Kiirunavaara AB (publ)

Jan Moström
President and CEO



Financial information

Annual and Sustainability Report 2021
30 March 2022

Reports are available at www.lkab.com

Interim Report Q1 2022
28 April 2022

This report has not been reviewed by the company's auditors.

Annual General Meeting
28 April 2022

Any questions concerning the Interim Report may be directed to Jan Moström, President and CEO. Interviews may be booked through Niklas Johansson, Senior Vice President Communication and Climate, on +46 (0)10 144 52 19.

Interim Report Q2 2022
12 August 2022

Interim Report Q3 2022
27 October 2022

LKAB – Group

Statement of income

MSEK	Note	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Net sales	3, 4	9,064	9,082	48,812	33,914
Cost of goods sold		-5,555	-5,053	-19,996	-20,918
Gross profit/loss		3,509	4,029	28,816	12,996
Selling expenses		-37	-38	-157	-144
Administrative expenses		-215	-158	-704	-587
Research and development expenses		-497	-194	-1,175	-652
Other operating income		217	117	537	413
Other operating expenses		-93	-112	-286	-301
Share of profit of joint ventures		-69	-20	-133	-72
Operating profit/loss	3	2,815	3,625	26,898	11,654
Financial income		549	476	1,892	1,197
Financial expense		-197	-155	-408	-399
Net financial income/expense		352	321	1,484	797
Profit/loss before tax		3,167	3,945	28,382	12,452
Tax		-568	-866	-5,778	-2,695
Profit/loss for the period		2,599	3,079	22,604	9,757
Profit for the period attributable to:					
Parent company shareholders		2,599	3,079	22,603	9,757
Non-controlling interests		0	-	1	-
Earnings per share before and after dilution (SEK)		3,712	4,399	32,291	13,938
Number of shares		700,000	700,000	700,000	700,000

Statement of comprehensive income

MSEK	Note	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Profit/loss for the period		2,599	3,079	22,604	9,757
Other comprehensive income for the period					
Items that will not be reclassified to profit/loss for the year					
Remeasurement of defined-benefit pension plans		327	150	273	-21
Tax attributable to actuarial gains and losses		-67	-33	-56	4
Changes during the period in the fair value of equity instruments measured at fair value through other comprehensive income		981	-204	2,019	-472
		1,240	-87	2,236	-488
Items that have been or may be reclassified subsequently to profit/loss for the year					
Gains/losses on translation of foreign entities for the period		74	-1	186	-273
Changes in fair value of cash flow hedges for the period		13	8	1	0
Changes in fair value of cash flow hedges transferred to profit/loss for the year		0	-8	0	-10
Tax attributable to components of cash flow hedges		-1	-	-	3
		87	-1	187	-281
Other comprehensive income for the period		1,327	-88	2,423	-769
Total comprehensive income for the period attributable to the Parent Company shareholders		3,926	2,991	25,027	8,988
Comprehensive income for the year attributable to:					
Parent company shareholders		3,926	2,991	25,026	8,988
Non-controlling interests		0	-	1	-

LKAB – Group

Statement of financial position

MSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets		1,738	1,349
Property, plant and equipment for operations		31,047	30,515
Property, plant and equipment for urban transformation		10,419	7,954
Interests in associates and joint ventures		287	297
Financial investments	6	5,726	3,285
Non-current receivables		102	102
Deferred tax asset		10	12
Total non-current assets		49,329	43,514
Current assets			
Inventories		4,924	4,226
Accounts receivable		2,074	3,313
Prepaid expenses and accrued income		192	155
Other current receivables		1,696	1,583
Current investments	6	30,141	19,073
Cash and cash equivalents		6,289	3,406
Total current assets		45,316	31,755
TOTAL ASSETS		94,645	75,269
EQUITY AND LIABILITIES			
Equity			
Share capital		700	700
Reserves		1,947	-259
Retained earnings incl. profit/loss for the period		64,885	47,971
Equity attributable to Parent Company shareholders		67,532	48,412
Non-controlling interests		33	–
Total equity		67,565	48,412
Non-current liabilities			
Non-current interest-bearing liabilities		2,366	2,544
Other non-current liabilities		56	
Provisions for pensions and similar commitments		1,396	1,741
Provisions, urban transformation		11,444	11,081
Other provisions		1,560	1,617
Deferred tax liabilities		1,636	1,560
Total non-current liabilities		18,458	18,542
Current liabilities			
Current interest-bearing liabilities		318	1,064
Trade payables		1,794	1,746
Tax liabilities		657	207
Other current liabilities		689	327
Accrued expenses and deferred income		1,662	1,458
Provisions, urban transformation		2,979	3,191
Other provisions		523	323
Total current liabilities		8,622	8,315
Total liabilities		27,080	26,857
TOTAL EQUITY AND LIABILITIES		94,645	75,269

LKAB – Group

Statement of changes in equity

2020 MSEK	Equity attributable to Parent Company shareholders						Non-controlling interests	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve	Retained earnings incl. profit/loss for the year	Total		
Opening equity 1 Jan 2020	700	-54	540	7	44,335	45,528	–	45,528
Profit/loss for the year	–	–	–	–	9,757	9,757	–	9,757
Other comprehensive income for the year	–	-273	-472	-7	-17	-769	–	-769
Comprehensive income for the year	–	-273	-472	-7	9,740	8,988	–	8,988
Dividend	–	–	–	–	-6,104	-6,104	–	-6,104
Closing equity 31 Dec 2020	700	-327	68	0	47,971	48,412	–	48,412

2021 MSEK	Equity attributable to Parent Company shareholders						Non-controlling interests	Total equity
	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve	Retained earnings incl. profit/loss for the year	Total		
Opening equity 1 Jan 2021	700	-327	68	0	47,971	48,412	–	48,412
Profit/loss for the year	–	–	–	–	22,604	22,604	-1	22,603
Other comprehensive income for the year	–	186	2,019	1	217	2,423	–	2,423
Comprehensive income for the year	–	186	2,019	1	22,821	25,027	-1	25,026
Dividend	–	–	–	–	-5,850	-5,850	–	-5,850
Call option	–	–	–	–	-56	-56	–	-56
Acquisition of part-owned subsidiary, non-controlling interest	–	–	–	–	–	0	33	33
Closing equity 31 Dec 2021	700	-141	2,087	1	64,886	67,533	32	67,565

Personnel

MSEK	Full year 2021	Full year 2020
Average number of employees	4,469	4,535
– of which women	1,113	1,092
– of which men	3,356	3,443

LKAB – Group

Statement of cash flows

MSEK	Note	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Operating activities					
Profit/loss before tax		3,167	3,945	28,382	12,452
Adjustment for items not included in cash flow		630	527	2,182	3,743
Income tax paid		-764	-320	-5,339	-2,479
Expenditures, urban transformation		-1,293	-1,113	-2,681	-4,191
Expenditures, other provisions		-11	-3	-18	-9
Cash flow from operating activities before changes in working capital		1,729	3,036	22,526	9,516
Cash flow from changes in working capital					
Increase (-)/Decrease (+) in inventories		-435	-190	-698	566
Increase (-)/Decrease (+) in operating receivables		1,020	387	1,000	-1,363
Increase (+)/Decrease (-) in operating liabilities		231	-649	657	244
Change in working capital		816	-452	959	-553
Cash flow from operating activities		2,545	2,584	23,485	8,963
Investing activities					
Acquisition of property, plant and equipment		-977	-929	-3,359	-2,763
Government investment grants		114	5	137	5
Disposal of property, plant and equipment		2	-2	5	65
Acquisition of subsidiaries		–	–	-150	–
Acquisition/disposal of other financial assets – operating		-47	-35	-130	-232
Acquisition/disposal of other financial assets – non-operating		–	–	-358	-2,666
Disposals/acquisitions (net) in current investments		-4,122	560	-9,960	4,446
Cash flow from investing activities		-5,030	-402	-13,815	-1,146
Financing activities					
Repurchase agreements		3	-2,174	-986	-173
Repayments/borrowing		-2	2	76	-348
Repayment of lease liabilities		-23	-5	-76	-79
Dividends paid to Parent Company shareholders		–	-2,035	-5,850	-6,104
Cash flow from financing activities		-22	-4,213	-6,836	-6,705
Cash flow for the period		-2,507	-2,031	2,834	1,112
Cash and cash equivalents at start of period		8,778	5,451	3,406	2,312
Exchange difference in cash and cash equivalents		18	-15	49	-19
Cash and cash equivalents at end of period		6,289	3,406	6,289	3,406
Change in cash and cash equivalents		-2,507	-2,031	2,834	1,112
Sub-components of cash and cash equivalents					
Cash and bank balances				5,914	3,316
Current investments (maturity <90 days)				375	90
Cash and cash equivalents				6,289	3,406
Consolidated operating cash flow					
Cash flow from operating activities		2,545	2,584	23,485	8,963
Acquisition of property, plant and equipment		-977	-929	-3,359	-2,763
Government investment grants		114	5	137	5
Disposal of property, plant and equipment		2	-2	5	65
Acquisition of subsidiaries		–	–	-150	–
Acquisition/disposal of other financial assets – operating		-47	-35	-130	-232
Operating cash flow (excluding current investments)		1,637	1,622	19,988	6,038
Acquisition/disposal of other financial assets – non-operating		–	–	-358	-2,666
Disposals/acquisitions (net) in current investments		-4,122	560	-9,960	4,446
Cash flow after investing activities		-2,485	2,182	9,670	7,817
Cash flow from financing activities		-22	-4,213	-6,836	-6,705
Cash flow for the period		-2,507	-2,031	2,834	1,112

LKAB – Parent Company

Income statement

MSEK	Note	Q4 2021	Q4 2020	Full year 2021	Full year 2020
Net sales		8,459	8,622	46,103	31,743
Cost of goods sold		-5,131	-4,773	-18,113	-19,624
Gross profit/loss		3,328	3,849	27,990	12,119
Selling expenses		-16	-8	-39	-29
Administrative expenses		-140	-108	-434	-365
Research and development expenses		-478	-187	-1,129	-619
Other operating income		21	27	61	112
Other operating expenses		-3	-8	-18	-21
Operating profit/loss		2,712	3,563	26,431	11,196
Profit/loss from financial items		-88	197	675	678
Profit/loss after financial items		2,624	3,760	27,106	11,874
Appropriations		942	838	943	838
Profit/loss before tax		3,566	4,598	28,049	12,712
Tax		-637	-925	-5,679	-2,598
Profit/loss for the period¹⁾		2,929	3,673	22,370	10,114

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

LKAB – Parent Company

Balance sheet

MSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets		451	194
Property, plant and equipment for operations		25,778	25,341
Property, plant and equipment for urban transformation		10,419	7,954
Financial assets			
Interests in subsidiaries		1,832	1,680
Interests in associates and jointly controlled entities		498	380
Receivables from subsidiaries		3,202	3,043
Other non-current securities		3,238	2,869
Other non-current receivables		196	206
Deferred tax asset		1,467	1,394
Total financial assets		10,433	9,571
Total non-current assets		47,081	43,059
Current assets			
Inventories		4,167	3,471
Current receivables			
Accounts receivable		1,558	3,013
Receivables from subsidiaries		419	264
Other current receivables		1,617	1,439
Prepaid expenses and accrued income		137	114
Total current receivables		3,731	4,830
Current investments		27,645	17,398
Cash and bank balances		5,522	3,083
Total current assets		41,065	28,782
TOTAL ASSETS		88,146	71,841

LKAB – Parent Company

Balance sheet

MSEK	Note	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		700	700
Statutory reserve		697	697
Non-restricted equity			
Profit/loss brought forward		29,838	25,573
Profit/loss for the period		22,370	10,114
Total equity		53,605	37,084
Untaxed reserves		11,577	12,202
Provisions			
Provisions, urban transformation		11,444	11,081
Other provisions		1,525	1,537
Total provisions		12,969	12,618
Non-current liabilities			
Bond loans		1,995	2,241
Liabilities to credit institutions		–	10
Total non-current liabilities		1,995	2,251
Current liabilities			
Bonds and commercial papers		260	1,000
Trade payables		1,374	1,243
Liabilities to subsidiaries		587	409
Current tax liabilities		630	184
Other current liabilities		501	222
Accrued expenses and deferred income		1,158	1,116
Provisions, urban transformation		2,979	3,191
Other provisions		511	320
Total current liabilities		8,000	7,685
TOTAL EQUITY AND LIABILITIES		88,146	71,841

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 reports.

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 the interim report conform to the accounting policies applied in the preparation of the annual report for 2020. For further information concerning the Group's accounting policies refer to LKAB's Annual and Sustainability Report 2020. 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.

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 Annual and Sustainability Report 2020.

Note 3 Segment reporting

Segment information is provided on pages 6–8 of the interim report.

The segments in summary

	Iron Ore		Special Products		Other		Eliminations/group adjustments		Group	
	Full year 2021	Full year 2020	Full year 2021	Full year 2020	Full year 2021	Full year 2020	Full year 2021	Full year 2020	Full year 2021	Full year 2020
MSEK										
External income	45,335	31,123	3,570	2,818	-93	-26	–	–	48,812	33,914
Internal income	800	604	2,063	1,544	64	73	-2,927	-2,221	–	–
Total income	46,135	31,727	5,633	4,362	-29	47	-2,927	-2,221	48,812	33,914
Operating profit/loss	28,432	12,756	380	261	-1,758	-1,291	-156	-72	26,898	11,654
Net financial income/expense									1,484	797
Profit/loss before tax									28,382	12,452

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	
	Full year 2021	Full year 2020	Full year 2021	Full year 2020	Full year 2021	Full year 2020	Full year 2021	Full year 2020
Product/service area								
Pellets	39,336	27,185	–	–	–	–	39,336	27,185
Fines	5,406	3,491	–	–	–	–	5,406	3,491
Magnetite	–	–	1,191	822	–	–	1,191	822
Mineral sands	–	–	670	526	–	–	670	526
Other industrial minerals	–	–	1,418	1,227	–	–	1,418	1,227
Mining and construction services	–	–	291	242	–	–	291	242
Other	593	447	–	–	33	10	626	457
Total	45,335	31,123	3,570	2,818	33	10	48,938	33,950
Region								
Europe	30,418	17,284	2,272	1,865	33	10	32,723	19,159
MENA	10,418	7,035	9	5	–	–	10,427	7,040
Rest of World	4,499	6,804	1,289	947	–	–	5,788	7,751
Total	45,335	31,123	3,570	2,818	33	10	48,938	33,950
Revenue from contracts with customers	45,335	31,123	3,570	2,818	33	10	48,938	33,950
Other income – financing activities	–	–	–	–	-126	-36	-126	-36
Total external income	45,335	31,123	3,570	2,818	-93	-26	48,812	33,914

Note 5 Business combinations

On 2 August 2021 the Group acquired 75 percent of the shares in Bergteamet AB. The purchase consideration was MSEK 150 and was paid in cash. Bergteamet has its head office in Boliden and provides underground contracting services for mining and infrastructure in Sweden and the wider Nordic region, particularly within the tunnel and shaft segment. As part of the Group's strategic focus on mining at great depths in LKAB's underground mines, the Group sees a great need for specialised rockwork contracting for a long time to come. The acquisition is expected to expand the Group's expertise, resources and market presence in the rockwork contracting segment. Bergteamet was already a major provider of underground contracting services to LKAB before the acquisition and will continue operating under its existing brand. In the period between acquisition and 31 December 2021 the subsidiary contributed MSEK 55 to consolidated income and MSEK 4 to consolidated profit after tax. Had the acquisition taken place as of 1 January 2021, management estimates that Group income would have increased by around MSEK 106 and profit for the year would have increased by around MSEK 18.

Acquisition-related costs amount to around MSEK 3 and relate to consultants' fees. These costs are recognised as administrative expenses in the condensed income statements.

Purchase price allocation

The acquired company's net assets at the acquisition date

MSEK	2021
Intangible fixed assets	38
Property, plant and equipment	182
Financial assets	5
Inventories	18
Trade and other receivables	59
Cash and cash equivalents	30
Interest-bearing liabilities	-146
Accounts payable and other operating liabilities	-45
Deferred tax liability	-12
Net identifiable assets and liabilities	129
Non-controlling interests	-32
Consolidated goodwill	53
Consideration transferred	150

Note 6 Disclosures regarding financial instruments

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

Group 31 Dec 2021 MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	5,307	7	–	5,314
Shares, current holdings	–	9,720	–	9,720
Interest-bearing instruments	–	20,796	–	20,796
Derivatives	–	15	–	15
Total	5,307	30,538	–	35,845

Group 31 Dec 2020 MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	2,938	–	–	2,938
Shares, current holdings	–	7,845	–	7,845
Interest-bearing instruments	–	11,309	–	11,309
Derivatives	8	79	–	87
Total	2,946	19,233	–	22,179

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 estimated to be a reasonable approximation of fair value.

Note 7 Pledged assets and contingent liabilities, Parent Company

Pledged assets

MSEK	31 Dec 2021	31 Dec 2020
As pledged assets for own liabilities and provisions		
Company-owned endowment insurance	94	104
Deposit of cash and cash equivalents	112	112
Collateral provided, derivatives	288	212
Pledged assets bonds repurchase agreements	–	–
Total pledged assets	494	428

Contingent liabilities

MSEK	31 Dec 2021	31 Dec 2020
Guarantees, FPG/PRI	17	16
Guarantees, GP plan	3	3
Guarantees, Swedish Tax Agency	63	63
Surety given for subsidiaries	121	111
Other surety	28	–
Accounts receivable factored with recourse	–	–
Collateral, remediation	139	59
Total contingent liabilities	371	252

Note 8 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 9 Events after the end of the reporting period

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

Note 10
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.

Net financial indebtedness

In 2020, LKAB made a minor adjustment to the calculation of net financial indebtedness as regards non-interest-bearing assets that previously reduced net debt. The purpose of the adjustment is to provide more relevant information about the Group's net indebtedness. Comparative figures have been restated in accordance with the change.

Net financial indebtedness

MSEK	31 Dec 2021	31 Dec 2020
Loans payable	2,684	3,608
Provisions for pensions	1,396	1,741
Provisions, urban transformation	14,423	14,272
Provisions, remediation	1,775	1,736
Less:		
Cash and cash equivalents	-6,289	-3,406
Current investments	-30,141	-19,073
Financial investments	-400	-348
Net financial indebtedness	-16,553	-1,470

Net debt/equity ratio

MSEK	31 Dec 2021	31 Dec 2020
Net financial indebtedness, MSEK	-16,553	-1,470
Equity, MSEK	67,565	48,412
Net debt/equity ratio, %	-24.5	-3.0

Return on equity

MSEK	31 Dec 2021	31 Dec 2020
Profit/loss after tax R 12, MSEK	22,604	9,757
Average equity, MSEK	57,989	46,970
Return on equity, %	39.0	20.8

Note 11
Quarterly data for the Group

MSEK	Note	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net sales		9,064	12,744	14,748	12,256	9,082	9,333	7,456	8,044
Operating profit/loss		2,815	7,769	9,161	7,153	3,625	2,955	1,883	3,191
Net financial income/expense		352	234	512	386	321	600	656	-780
Profit/loss before tax		3,167	8,002	9,674	7,539	3,945	3,555	2,540	2,411
Profit/loss for the period		2,599	6,355	7,672	5,978	3,079	2,800	1,998	1,879
Costs for urban transformation provisions		-83	-148	-77	-64	-82	-963	-277	-74
Operating cash flow		1,637	7,430	7,111	3,812	1,622	1,651	972	1,792
Investments in property, plant and equipment		977	994	846	542	929	643	571	619
Deliveries of iron ore products, Mt		6.8	6.3	6.9	6.9	7.0	7.6	6.6	7.3
Proportion of pellets, %		78	80	85	88	83	82	83	89
Production of iron ore products, Mt		6.7	6.7	5.9	7.4	6.8	6.8	6	7.4
Return on equity ¹⁾ , %	10	39.0	42.3	39.2	27.1	20.8	18.6	19.4	22.2
Net debt/equity ratio ¹⁾ , %	10	-24.5	-20.4	-11.8	-10.8	-3.0	3.2	10.5	-0.1

¹⁾ Refers to the end of the quarter.