

LKAB's results send a clear message of strength for the future

LKAB continues to deliver operating profit at a historically high level despite the iron ore price waning somewhat. Operating cash flow was the highest ever for a single quarter, putting the company in a stronger position from which to lead the transition of the iron and steel industry towards a sustainable future. Net sales for the third quarter increased by 37 percent and amounted to MSEK 12,744 (9,333). Operating profit increased by 163 percent to MSEK 7,769 (2,955) and operating cash flow amounted to MSEK 7,430 (1,651).

Operations in the third quarter

MSEK	Note	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Full year 2020
Net sales	3, 4	12,744	9,333	39,748	24,832	33,914
Operating profit/loss		7,769	2,955	24,083	8,030	11,654
Net financial income/expense		234	600	1,132	477	797
Profit/loss before tax		8,002	3,555	25,215	8,506	12,452
Profit/loss for the period		6,355	2,800	20,005	6,677	9,757
Costs for urban transformation provisions		-148	-963	-289	-1,314	-1,396
Operating cash flow		7,430	1,651	18,351	4,415	6,038
Investments in fixed assets		994	643	2,382	1,834	2,763
Depreciation		-778	-797	-2,314	-2,269	-3,136
Deliveries of iron ore products, Mt		6.3	7.6	20.2	21.4	28.5
Proportion of pellets, %		80	82	84	85	84
Production of iron ore products, Mt		6.7	6.8	20.0	20.3	27.1
Return on equity, %	10			42.3	18.6	20.8
Net debt/equity ratio, %	10			-20.4	3.2	-3.0

6.7 Mt

Produced during the quarter

6.3 Mt

Delivered during the quarter

80 %

Percentage of pellets
for the quarter

- **The production volume** for the third quarter was affected mainly 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 was affected in the quarter by lower inventory levels and by a maintenance shutdown at the port in Narvik, was lower than the record delivery volume in the same quarter last year and amounted to 6.3 (7.6) Mt with the proportion of pellets at 80 (82) percent.
- **Operating profit** for the third quarter was 163 percent higher than in the same period last year and amounted to MSEK 7,769 (2,955). Higher prices for highly upgraded iron ore products were offset by lower delivery volumes, a lower dollar exchange rate and higher costs.

- **The average global spot price¹** for iron ore products in the third quarter was USD 164 (118) per tonne, which was USD 36 lower than in the previous quarter. The price at the end of the quarter was USD 118 per tonne. Quoted pellet premiums for the quarter were around 170 percent higher than in the same period last year.
- **Operating cash flow** was strengthened by the high earnings and amounted to a record MSEK 7,430 (1,651) for the third quarter.
- **The return on equity** was 42.3 (18.6) percent.
- **The net debt/equity ratio** was -20.4 (3.2) percent.

¹ Platts IODEX 62% Fe CFR North China.

LKAB – Group

Net sales and operating profit

Analysis of change in operating profit MSEK

	Q3	Q1–Q3
Operating profit 2020	2,955	8,030
Iron ore prices incl. hedging	5,354	19,648
Currency effect, iron ore incl. hedging of accounts receivable	-337	-3,587
Volume and mix, iron ore	-707	-309
Volume, price and currency, industrial minerals	-19	58
Costs for urban transformation provisions	815	1,025
Depreciation	19	-45
Other income and expenses	-311	-736
Operating profit 2021	7,769	24,084

Sales for the third quarter were 37 percent higher than in the same period last year and totalled MSEK 12,744 (9,333). Higher prices for highly upgraded iron ore products were offset by lower delivery volumes and a lower dollar exchange rate. The average global spot price¹ for iron ore products for the third quarter was USD 164 (118) per tonne. Premiums for highly upgraded products were significantly higher than in the same period last year, which also had a positive effect.

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. Operating profit amounted to MSEK 7,769 (2,955).

Sales for January–September were 60 percent higher than in the previous year, with higher iron ore prices being offset by a lower dollar exchange rate and lower delivery volumes. The average spot price for iron ore over the period January–September was USD 177 (100) per tonne and quoted pellet premiums were on average USD 35 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 investment for the future in exploration and development programmes also contributed to higher costs. Cumulative operating profit for the year to September amounted to MSEK 24,083 (8,030).

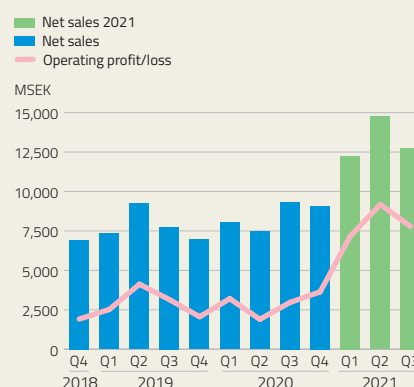
Cash flow

MSEK	Q3 2021	Q3 2020	Q1–Q3 2021	Q1–Q3 2020	Full year 2020
Cash flow from operating activities before expenditure on urban transformation and changes in working capital	5,765	4,138	22,185	9,558	13,707
Expenditures, urban transformation	-228	-1,474	-1,388	-3,078	-4,191
Cash flow from operating activities before changes in working capital	5,537	2,709	20,797	6,480	9,516
Change in working capital	3,055	-381	143	-101	-553
Capital expenditures (net)	-976	-633	-2,356	-1,767	-2,693
Acquisition of subsidiaries	-150	–	-150	–	–
Acquisition/divestment of financial assets	-36	-44	-83	-197	-232
Operating cash flow	7,430	1,651	18,351	4,415	6,038

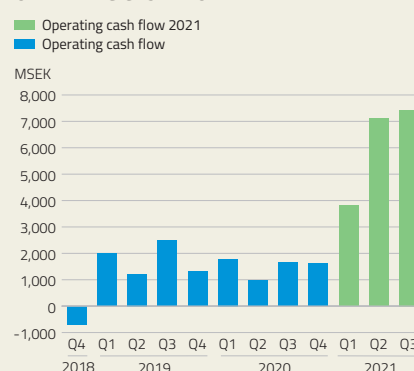
Operating cash flow for the third quarter amounted to MSEK 7,430 (1,651) and the cumulative total for the year to September was MSEK 18,351 (4,415). Higher operating profit, lower expenditure for urban transformation and a decrease in working capital tied up in accounts receivable had positive effects compared with the same period last year. Cash flow was negatively affected by increased capital expenditure as well as the acquisition of shares in Bergteamet AB.

¹ Platts IODEX 62% Fe CFR North China.

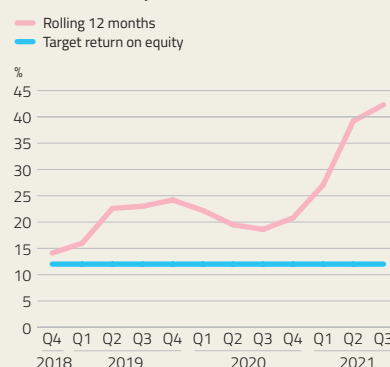
NET SALES AND OPERATING PROFIT/LOSS



OPERATING CASH FLOW



RETURN ON EQUITY



LKAB – Group

Net financial income/expense and net financial indebtedness

Net financial income/expense for the third quarter was MSEK 234 (600), with the return on financial investments being mainly affected by weak stock market development.

Cumulative net financial income/expense for the year to September amounted to MSEK 1,132 (477), with the increase mainly relating to a higher return on financial investments.

The net debt/equity ratio was -20.4 (3.2) percent, which is mainly due to positive cash flow.

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	6,019	0	6,019
Total	18,269	2,250	16,019

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

Events during the quarter

The production of crushed ore is 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. The maintenance shutdown in the spring was scaled down substantially to reduce the risk of spreading infection, resulting in increased maintenance work in the third quarter. Extended maintenance work will also affect production volumes and costs in the last quarter.

During the quarter LKAB acquired 75 percent of the shares in Bergteamet AB. The acquisition strengthens LKAB's expertise, resources and market presence within the rockwork contracting segment.

Events after the end of the reporting period

After the end of the quarter the Land and Environment Court notified that it was rejecting LKAB's application for the existing operations in Kiruna in its entirety. The permit application aims to enable environmental improvement measures and create the conditions for more modern operations and a faster rate of mining for the ore that LKAB is already permitted to mine. What consequences this will have, in the short and the long term, for LKAB's transition to the production of carbon-free sponge iron is currently being assessed. LKAB will appeal the court's decision.

Since the period for the current goals expires at the end of the year and for greater flexibility as we embark on our transformation, the Board of Directors has proposed updated financial goals that are subject to approval at an extraordinary general meeting being held on 27 October 2021.

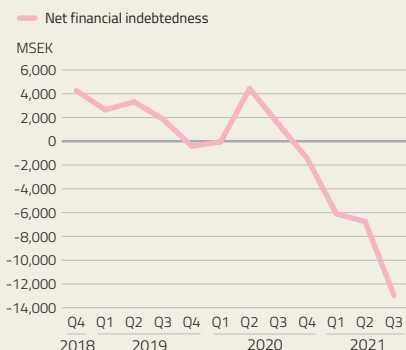
Outlook for 2021

Demand for LKAB's highly upgraded iron ore products remains good. During October the iron ore price stabilised following the substantial drop in the third quarter.

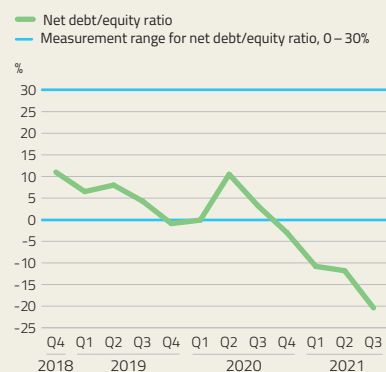
The development of the corona pandemic is being carefully monitored and the operations are continually being adapted to the restrictions in force. The urban transformation work is in an intensive phase with a large volume of acquisitions and construction of new replacement properties for property owners, resulting in continued high expenditure in 2021. 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.

LKAB is continuing its transformational journey towards becoming tomorrow's sponge iron supplier, with the aim of providing our customers with the raw materials for fossil-free steel.

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 rejection by the Land and Environment Court of LKAB's application for the operations in Kiruna – a decision that LKAB will appeal.

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

Sustainable development

Follow-up of objectives

MSEK	Q3 2021	Q3 2020	Q1–Q3 2021	Q1–Q3 2020	Full year 2020	Objective for 2021
Accidents involving absence (no. per million hrs) ¹	8.0	5.2	7.6	5.8	6.3	3.5
Women in the total workforce (%)	–	–	25	24	25	25
Women managers (%)	–	–	25	23	23	25
Particulate emissions (mg/m ³ ntg)	–	–	17	24	29	10
Nitrogen emissions to water (g/t FP)	20	20	23	18	20	21
Energy consumption (kWh/t FP)	159	152	163	159	159	138
CO ₂ emissions (kg/t FP)	23	25	25	27	25	24
Nitrogen emissions to air (g/t FP)	166	154	168	147	140	<158

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

The accident rate for January–September increased compared to the same period last year and was 7.6 (5.8). Safe, healthy workplaces are crucial for LKAB to be sustainable long-term and there is currently 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 discourage serious near-misses and accidents.

At the end of the third quarter the percentage of women was 25 (24) percent, which is in line with the goal for 2021.

In the third quarter particulate emissions increased in Kiruna and Narvik, but measures are planned for the forthcoming maintenance shutdowns.

Energy intensity increased somewhat compared with the same period last year, partly due to lower production volumes. It is expected that the energy intensity objective will not be reached this year. CO₂ intensity decreased in the quarter, mainly as an effect of ongoing trials involving replacing fuel oil with tall oil at one of the pelletising plants in Malmberget. Firing using tall oil instead of heavy fuel oil has meant that 25,000 tonnes of fossil carbon dioxide, representing five percent of the total emissions, has been able to be avoided in the year to date, which is the main reason why the carbon intensity was lower this year than in the previous year. The replacement of coal with alternatives in the upgrading process 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.

Management and adaptation as a result of Covid-19 continue, particularly in connection with maintenance shutdowns when adjustments are made and rapid testing is carried out to reduce the risk of outbreaks. LKAB has temporarily lifted the sick pay qualifying period to ensure that all co-workers stay at home if they have symptoms. The development of the corona pandemic is being carefully monitored, with operations being adapted in accordance with national and regional recommendations.

Strategic sustainability work

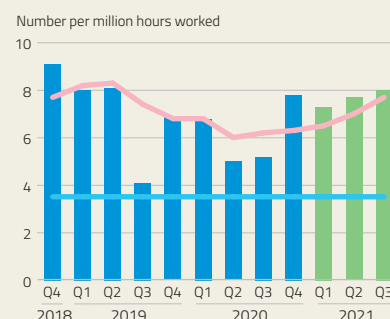
LKAB's strategy and transformation plan aim not just to achieve the objective of carbon-free processes and products by 2045. Another crucial element of the strategy is to increase the value added by processing and gradually transition to the production of carbon-free sponge iron. This transformation will enable carbon emissions from customers around the world to be reduced by 35 Mt – equivalent to around two thirds of Sweden's total emissions. The transformation will also create the conditions to more than double our sales and secure our competitiveness for the long term. The transformation is a process that will take place over many years, involving various development projects and initiatives that will be gradually integrated into the operations.

During the quarter, the Board of Directors made a decision on new strategic goals for the Group for the period 2022–2030 to support the vision of leading the transition of our industry towards a sustainable future

During the quarter another milestone was reached in the HYBRIT initiative when SSAB produced the world's first fossil-free steel from LKAB iron and delivered it to a customer. This trial delivery is an important step along the way to an entirely fossil-free value chain for iron- and steelmaking.

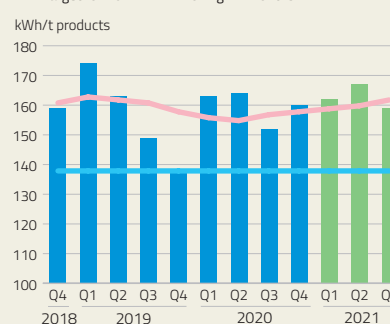
ACCIDENTS

■ 2018–2020 ■ 2021
— Target for 2021 — Rolling 12 months



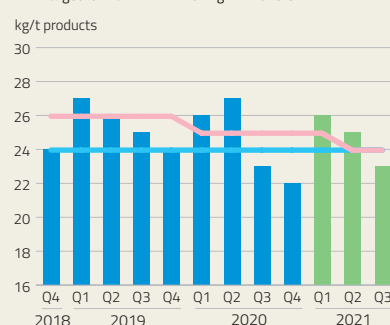
ENERGY CONSUMPTION

■ 2018–2020 ■ 2021
— Target for 2021 — Rolling 12 months



CO₂ EMISSIONS

■ 2018–2020 ■ 2021
— Target for 2021 — Rolling 12 months



4,917

Average number of employees

25%

% women

Market development

The steel and iron ore market

The global steel and iron ore industry

Global production of crude steel increased by eight percent in the first nine months and was two percent lower compared with the third quarter last year. After having reached its highest ever level of production in the second quarter, steel production in China fell by 13 percent compared with the third quarter last year. In the rest of the world production was in line with the second quarter and was 14 percent higher than in the third quarter 2020.

Production in Europe was significantly higher than in the same quarter last year, which was impacted by the pandemic, but capacity utilisation remained lower than at its historical peaks.

The lower steel production in China is a result of the government's directive to reduce environmental impact as well as reduced activity in the construction market. The growth in China's industrial production was also lower than earlier this year. In Europe and the US demand for steel was at a high level, but some parts of production were held back by shortages of components and semiconductors.

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 while at the same time inventories of iron ore increased at Chinese ports. Prices for metallurgical coal rose during the quarter and steelmakers' preferences gradually shifted to high-content iron ore, leading to lower coal consumption.

Steel prices in western countries remained high in the third quarter, but fell somewhat in Europe. Steel prices in the US remained

at historically high levels. In China margins fell compared with the second quarter. The steel companies had lower costs for iron ore but higher costs for coal and shipping rates, which gradually increased.

The lower steel production in China and increased supply of iron ore on the spot market resulted in a substantial and rapid drop in the iron ore price up until mid-September, followed by a partial recovery. At the end of the quarter the iron ore price remained higher than the cost level for high-cost mines, but a few smaller mines shut down due to poor margins. European demand for both blast furnace and direct reduction iron ore pellets was good.

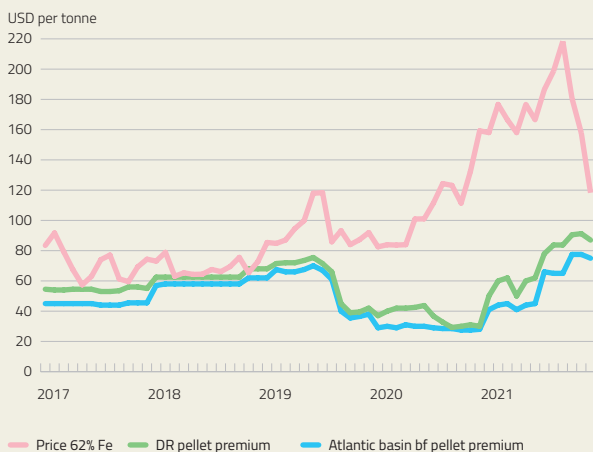
Iron ore spot price developments

The spot price (IODEX 62% Fe) for fines fell to an average of USD 164/tonne in the third quarter, compared with USD 200/tonne in the previous quarter and USD 118/tonne in the third quarter last year. The price varied during the quarter between a high of USD 223/tonne and a low of USD 94/tonne. At the end of the third quarter the price had partly recovered to USD 118/tonne.

Quoted pellet premiums for blast furnace pellets and DR pellets increased compared with the second quarter and averaged USD 77 (29)/tonne and USD 90 (33)/tonne respectively in the third quarter, compared with USD 65/tonne and USD 81/tonne respectively in the previous quarter. The difference in price between high-content iron ore and ore with a standard iron content (Platts IODEX 65% Fe and 62% Fe) decreased somewhat to USD 27 (11)/tonne, compared with USD 32/tonne in the second quarter.

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

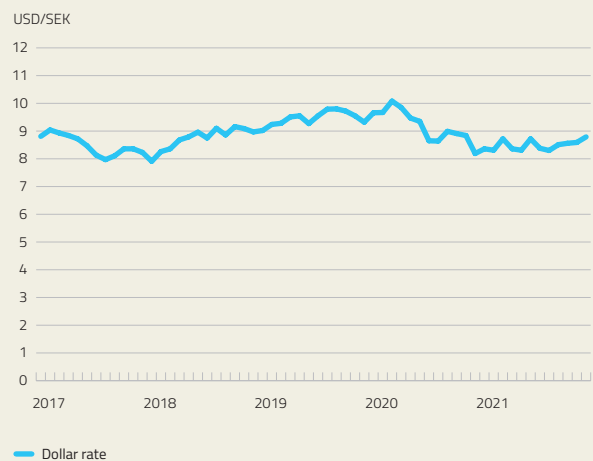
1 January 2017 – 30 September 2021



Source: PLATTS

CHANGES IN THE DOLLAR EXCHANGE RATE

1 January 2017 – 30 September 2021



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	Q3 2021	Q3 2020	Q1–Q3 2021	Q1–Q3 2020	Full year 2020
Net sales	3, 4	12,052	8,871	37,650	23,274	31,727
Operating profit/loss		8,035	3,318	24,819	8,937	12,756
Costs for urban transformation provisions		-148	-963	-289	-1,314	-1,396
Investments in fixed assets		893	598	2,150	1,696	2,472
Depreciation		-702	-728	-2,102	-2,067	-2,864
Deliveries of iron ore products, Mt		6.3	7.6	20.2	21.4	28.5
Proportion of pellets, %		80	82	84	85	84
Production of iron ore products, Mt		6.7	6.8	20.0	20.3	27.1

The production volume for the third quarter was affected by extended maintenance shutdowns as a result of measures postponed from the first half, when maintenance shutdowns were significantly reduced to reduce the risk of spreading Covid-19, but despite this was in line with the same period last year. Deferred maintenance work will also affect production volumes and costs for the remainder of the year. The delivery volume, which was affected by lower inventory levels and by a maintenance shutdown at the port in Narvik, was lower than the record deliveries in the same period last year and amounted to 6.3 (7.6) Mt with the proportion of pellets at 80 (82) percent.

Sales for the third quarter increased by 36 percent year-on-year, mainly due to higher prices for highly upgraded iron ore products. Lower delivery volumes and a lower dollar exchange rate negatively affected sales for the quarter.

Operating profit for the quarter was MSEK 8,035 (3,318). 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. 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.

The production volume for January–September decreased by 0.3 Mt in a year-on-year comparison and amounted to 20.0 (20.3) Mt. The decrease was mainly an effect of extended maintenance shutdowns, start-up problems following maintenance shutdowns and production disruption at the processing plants. Cumulative deliveries for the year to September were affected mainly by lower production volumes and lower inventory levels when compared year on year and amounted to 20.2 (21.4) Mt, with the proportion of pellets at 84 (85) percent.

Sales for the first nine months of the year increased by 62 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.

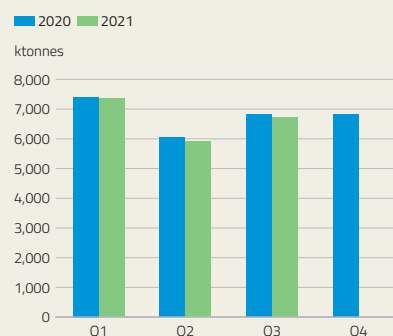
Cumulative operating profit for the year to September amounted to MSEK 24,819 (8,937). Higher energy prices, costs for extended maintenance shutdowns, measures to secure the supply of crushed ore and increased rock reinforcement resulted in higher costs for the period. Lower costs for urban transformation 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 Malmbanan and Ofotbanen 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 LKAB Group.

Operations summary

MSEK	Note	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Full year 2020
Net sales	3, 4, 5	1,554	1,145	4,038	3,174	4,362
Operating profit/loss	5	94	79	275	170	261
Investments in fixed assets		39	33	90	92	145
Depreciation		-57	-49	-153	-145	-192

Net sales for the third quarter increased by 36 percent year on year, mainly due to higher selling prices for industrial minerals. Increased sales of engineering services and of rock reinforcement materials also had a positive effect. During the quarter the business area acquired 75 percent of the shares in Bergteamet AB, which also contributed to the improved sales. Operating profit for the quarter was 19 percent higher than in the same period last year and amounted to MSEK 94 (79).

Cumulative net sales for the year to September were 27 percent higher than in the same period last year, with all lines of business in the business area having contributed to the increase. Improved sales volumes and higher average prices for sales of industrial minerals had the greatest effect. Last year the business area was adversely impacted by the ongoing pandemic as well as the rockfall in the mine in Kiruna. Operating profit for the first nine months of the year amounted to MSEK 275 (170), which is an increase of 62 percent.

Investments in non-current assets increased during the quarter, 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	Q3 2021	Q3 2020	Q1–Q3 2021	Q1–Q3 2020	Full year 2020
Net sales excl. hedging		22	19	67	48	83
Net sales hedging		-119	-165	-62	-163	-36
Total net sales	3, 4	-97	-146	5	-115	47
Operating profit/loss		-346	-445	-897	-1,043	-1,291
Investments in fixed assets		62	12	142	46	147
Depreciation		-20	-21	-59	-57	-78

The higher operating profit for the third quarter and cumulatively for the year to September is mainly due to an improvement in the result of hedging activities. Increased exploration activities and ongoing development projects increased costs for the period.

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.

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	Q3 2021	Q3 2020	Q1–Q3 2021	Q1–Q3 2020	Full year 2020
Net sales		11,952	8,710	37,644	23,121	31,743
Operating profit/loss		7,602	2,777	23,719	7,633	11,196
Costs for urban transformation provisions		-148	-963	-289	-1,314	-1,396
Investments in fixed assets		915	566	2,207	1,631	2,481
Depreciation		-600	-631	-1,818	-1,788	-2,384
Deliveries of iron ore products, Mt		6.3	7.6	20.2	21.4	28.5
Production of iron ore products, Mt		6.7	6.8	20.0	20.3	27.1

Signatures

Luleå, 27 October 2021
Luossavaara-Kiirunavaara AB (publ)

Jan Moström
President and CEO



Financial information

Interim Report Q4 2021
(together with Year End Report)
14 February 2022

Interim Report Q1 2022
28 April 2022

Annual General Meeting
28 April 2022

Reports are available at www.lkab.com

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.

Auditor's review report

Introduction

We have reviewed the condensed interim financial information (interim report) for Luossavaara-Kiirunavaara AB (publ) as of 30 September 2021 and for the nine-month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim financial report in accordance with IAS 34 and the Swedish 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 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 International Standards on Auditing (ISA) and generally accepted auditing practices. The review procedures conducted consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Luleå, 27 October 2021
KPMG AB

Helena Arvidsson Älgne
Authorised Public Accountant

LKAB – Group

Statement of income

MSEK	Note	Q3 2021	Q3 2020	Q1–Q3 2021	Q1–Q3 2020	Full year 2020
Net sales	3, 4	12,744	9,333	39,748	24,832	33,914
Cost of goods sold		-4,607	-6,087	-14,440	-15,865	-20,918
Gross profit/loss		8,137	3,247	25,308	8,967	12,996
Selling expenses		-37	-32	-120	-105	-144
Administrative expenses		-152	-135	-489	-429	-587
Research and development expenses		-204	-167	-679	-457	-652
Other operating income		117	113	320	296	413
Other operating expenses		-70	-66	-193	-188	-301
Share of profit of joint ventures		-22	-5	-64	-52	-72
Operating profit/loss	3	7,769	2,955	24,083	8,030	11,654
Financial income		291	643	1,342	720	1,197
Financial expense		-58	-43	-210	-243	-399
Net financial income/expense		234	600	1,132	477	797
Profit/loss before tax		8,002	3,555	25,215	8,506	12,452
Tax		-1,647	-756	-5,210	-1,829	-2,695
Profit/loss for the period		6,355	2,800	20,005	6,677	9,757
Attributable to Parent Company shareholders		6,355	2,800	20,005	6,677	9,757
Earnings per share before and after dilution (SEK)		9,079	4,000	28,579	9,539	13,938
Number of shares		700,000	700,000	700,000	700,000	700,000

Statement of comprehensive income

MSEK	Note	Q3 2021	Q3 2020	Q1–Q3 2021	Q1–Q3 2020	Full year 2020
Profit/loss for the period		6,355	2,800	20,005	6,677	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		-190	-31	-54	-171	-21
Tax attributable to actuarial gains and losses		39	8	11	37	4
Changes in the fair value of equity instruments measured at fair value through other comprehensive income for the period		34	433	1,038	-267	-472
		-117	410	995	-401	-488
Items that have been or may be reclassified subsequently to profit/loss for the year						
Exchange differences on translation of foreign operations for the period		4	-46	112	-272	-273
Changes in fair value of cash flow hedges for the period		-12	21	-12	-8	0
Changes in fair value of cash flow hedges transferred to profit/loss for the year		–	2	–	-2	-10
Tax attributable to components of cash flow hedges		2	-5	1	2	3
		-6	-28	101	-280	-281
Other comprehensive income for the period		-123	382	1,096	-681	-769
Total comprehensive income for the period attributable to the Parent Company shareholders		6,232	3,181	21,101	5,996	8,988

LKAB – Group

Statement of financial position

MSEK	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS				
Non-current assets				
Intangible assets		1,710	1,412	1,349
Property, plant and equipment for operations		31,002	30,087	30,515
Property, plant and equipment for urban transformation		10,160	7,841	7,954
Interests in associates and joint ventures		308	282	297
Financial investments	6	4,790	3,475	3,285
Non-current receivables		102	102	102
Deferred tax asset		1,097	14	12
Total non-current assets		49,169	43,213	43,514
Current assets				
Inventories		4,489	4,036	4,226
Accounts receivable		2,717	3,969	3,313
Prepaid expenses and accrued income		296	242	155
Other current receivables		2,128	1,759	1,583
Current investments	6	25,581	19,051	19,073
Cash and cash equivalents		8,778	5,451	3,406
Total current assets		43,989	34,509	31,755
TOTAL ASSETS		93,158	77,722	75,269
EQUITY AND LIABILITIES				
Equity				
Share capital		700	700	700
Reserves		902	-54	-259
Retained earnings incl. profit/loss for the period		62,083	44,774	47,971
Equity attributable to Parent Company shareholders		63,685	45,420	48,412
Non-controlling interests		21	-	-
Total equity		63,706	45,420	48,412
Non-current liabilities				
Non-current interest-bearing liabilities		2,447	2,557	2,544
Provisions for pensions and similar commitments		1,811	1,879	1,741
Provisions, urban transformation		12,447	11,121	11,081
Other provisions		1,707	1,357	1,617
Deferred tax liabilities		2,805	1,619	1,560
Total non-current liabilities		21,217	18,534	18,542
Current liabilities				
Current interest-bearing liabilities		316	5,274	1,064
Trade payables		1,861	2,277	1,746
Tax liabilities		687	4	207
Other current liabilities		611	439	327
Accrued expenses and deferred income		1,475	1,579	1,458
Provisions, urban transformation		2,927	4,069	3,191
Other provisions		358	126	323
Total current liabilities		8,235	13,769	8,315
Total liabilities		29,452	32,302	26,857
TOTAL EQUITY AND LIABILITIES		93,158	77,722	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	–	45,420

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	–	–	–	–	6,677	6,677	–	6,677
Other comprehensive income for the year	–	-272	-267	-8	-134	-681	–	-681
Comprehensive income for the year	–	-272	-267	-8	6,543	5,996	–	5,996
Dividend	–	–	–	–	-6,104	-6,104	–	-6,104
Closing equity 30 Sep 2020	700	-326	273	-1	44,774	45,420	–	45,420

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	–	–	–	–	20,005	20,005	–	20,005
Other comprehensive income for the year	–	132	1,095	-10	-43	1,174	–	1,174
Comprehensive income for the year	–	132	1,095	-10	19,962	21,179	–	21,179
Dividend	–	–	–	–	-5,850	-5,850	–	-5,850
Call option	–	–	–	–	-56	-56	–	-56
Acquisition of part-owned subsidiary, non-controlling interest							21	21
Closing equity 30 Sep 2021	700	-195	1,163	-10	62,027	63,685	21	63,706

Personnel

MSEK	Q1–Q3 2021	Q1–Q3 2020	Full year 2020
Average number of employees	4,917	4,528	4,535
– of which women	1,221	1,089	1,092
– of which men	3,696	3,439	3,443

LKAB – Group

Statement of cash flows

MSEK	Note	Q3 2021	Q3 2020	Q1–Q3 2021	Q1–Q3 2020	Full year 2020
Operating activities						
Profit/loss before tax		8,002	3,555	25,215	8,506	12,452
Adjustment for items not included in cash flow		398	1,209	1,551	3,217	3,743
Income tax paid		-2,628	-579	-4,575	-2,159	-2,479
Expenditures, urban transformation		-228	-1,474	-1,388	-3,078	-4,191
Expenditures, other provisions		-6	-2	-7	-6	-9
Cash flow from operating activities before changes in working capital		5,537	2,709	20,797	6,480	9,516
Cash flow from changes in working capital						
Increase (+)/Decrease (-) in inventories		-464	471	-263	755	566
Increase (+)/Decrease (-) in operating receivables		3,261	-1,660	-19	-1,750	-1,363
Increase (+)/Decrease (-) in operating liabilities		258	808	425	894	244
Change in working capital		3,055	-381	143	-101	-553
Cash flow from operating activities		8,592	2,329	20,940	6,379	8,963
Investing activities						
Acquisition of property, plant and equipment		-994	-643	-2,382	-1,834	-2,763
Government investment grants		16	–	23	–	5
Disposal of property, plant and equipment		2	10	3	67	65
Acquisition of subsidiaries	5	-150	–	-150	–	–
Acquisition/disposal of other financial assets – operating		-36	-44	-83	-197	-232
Acquisition/disposal of other financial assets – non-operating		–	–	-358	-2,666	-2,666
Disposals/acquisitions (net) in current investments		-1,116	1,102	-5,838	3,886	4,446
Cash flow from investing activities		-2,278	424	-8,785	-744	-1,146
Financing activities						
Repurchase agreements		-2,119	23	-989	2,001	-173
Repayments/borrowing		80	–	78	-350	-348
Repayment of lease liabilities		-17	-25	-53	-74	-79
Dividends paid to Parent Company shareholders		–	–	-5,850	-4,069	-6,104
Cash flow from financing activities		-2,056	-2	-6,814	-2,492	-6,705
Cash flow for the period		4,258	2,750	5,341	3,143	1,112
Cash and cash equivalents at start of period		4,509	2,704	3,406	2,312	2,312
Exchange difference in cash and cash equivalents		11	-3	31	-4	-19
Cash and cash equivalents at end of period		8,778	5,451	8,778	5,451	3,406
Change in cash and cash equivalents		4,258	2,750	5,341	3,143	1,112
Sub-components of cash and cash equivalents						
Cash and bank balances		7,832	5,151	7,832	5,151	3,316
Current investments (maturity <90 days)		946	300	946	300	90
Cash and cash equivalents		8,778	5,451	8,778	5,451	3,406
Consolidated operating cash flow						
Cash flow from operating activities		8,592	2,329	20,940	6,379	8,963
Acquisition of property, plant and equipment		-994	-643	-2,382	-1,834	-2,763
Government investment grants		16	–	23	–	5
Disposal of property, plant and equipment		2	10	3	67	65
Acquisition of subsidiaries		-150	–	-150	–	–
Acquisition/disposal of other financial assets – operating		-36	-44	-83	-197	-232
Operating cash flow (excluding current investments)		7,430	1,651	18,351	4,415	6,038
Acquisition/disposal of other financial assets – non-operating		–	–	-358	-2,666	-2,666
Disposals/acquisitions (net) in current investments		-1,116	1,102	-5,838	3,886	4,446
Cash flow after investing activities		6,314	2,753	12,155	5,635	7,817
Cash flow from financing activities		-2,056	-2	-6,814	-2,492	-6,705
Cash flow for the period		4,258	2,750	5,341	3,143	1,112

LKAB – Parent Company

Income statement

MSEK	Note	Q3 2021	Q3 2020	Q1–Q3 2021	Q1–Q3 2020	Full year 2020
Net sales		11,952	8,710	37,644	23,121	31,743
Cost of goods sold		-4,068	-5,744	-12,982	-14,851	-19,624
Gross profit/loss		7,884	2,966	24,662	8,270	12,119
Selling expenses		-8	-6	-23	-21	-29
Administrative expenses		-84	-64	-295	-256	-365
Research and development expenses		-196	-158	-650	-432	-619
Other operating income		17	42	40	86	112
Other operating expenses		-11	-3	-15	-13	-21
Operating profit/loss		7,602	2,777	23,719	7,633	11,196
Profit/loss from financial items		211	43	763	481	678
Profit/loss after financial items		7,813	2,820	24,482	8,114	11,874
Appropriations		–	–	–	–	838
Profit/loss before tax		7,813	2,820	24,482	8,114	12,712
Tax		-1,600	-605	-5,041	-1,673	-2,598
Profit/loss for the period¹		6,213	2,215	19,441	6,441	10,114

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

LKAB – Parent Company

Balance sheet

MSEK	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS				
Non-current assets				
Intangible assets		450	185	194
Property, plant and equipment for operations		25,676	25,085	25,341
Property, plant and equipment for urban transformation		10,160	7,841	7,954
Financial assets				
Interests in subsidiaries		1,830	1,814	1,680
Interests in associates and jointly controlled entities		451	345	380
Receivables from subsidiaries		3,116	3,366	3,043
Other non-current securities		3,238	2,869	2,869
Other non-current receivables		206	213	206
Deferred tax asset		1,394	1,478	1,394
Total financial assets		10,235	10,083	9,571
Total non-current assets		46,521	43,194	43,059
Current assets				
Inventories		3,848	3,359	3,471
Current receivables				
Accounts receivable		2,090	3,391	3,013
Receivables from subsidiaries		330	247	264
Other current receivables		2,036	1,685	1,439
Prepaid expenses and accrued income		211	187	114
Total current receivables		4,667	5,510	4,830
Current investments		24,166	18,041	17,398
Cash and bank balances		7,493	4,688	3,083
Total current assets		40,174	31,598	28,782
TOTAL ASSETS		86,695	74,792	71,841

LKAB – Parent Company

Balance sheet

MSEK	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		700	700	700
Statutory reserve		697	697	697
Non-restricted equity				
Profit/loss brought forward		29,838	25,573	25,573
Profit/loss for the period		19,441	6,441	10,114
Total equity		50,676	33,411	37,084
Untaxed reserves		12,202	12,552	12,202
Provisions				
Provisions, urban transformation		12,447	11,121	11,081
Other provisions		1,600	1,558	1,537
Total provisions		14,047	12,679	12,618
Non-current liabilities				
Bond loans		1,992	2,241	2,241
Liabilities to credit institutions		–	10	10
Total non-current liabilities		1,992	2,251	2,251
Current liabilities				
Bonds and commercial papers		250	–	1,000
Liabilities to credit institutions		10	3,174	–
Other financial liabilities		–	2,035	–
Trade payables		1,391	1,902	1,243
Liabilities to subsidiaries		648	1,105	409
Current tax liabilities		687	–	184
Other current liabilities		486	351	222
Accrued expenses and deferred income		1,032	1,138	1,116
Provisions, urban transformation		2,927	4,069	3,191
Other provisions		347	124	320
Total current liabilities		7,778	13,898	7,685
TOTAL EQUITY AND LIABILITIES		86,695	74,792	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 report for 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	
MSEK	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020
External income	37,167	22,902	2,621	2,097	-40	-167	–	–	39,748	24,832
Internal income	483	371	1,417	1,077	45	52	-1,944	-1,500	–	–
Total income	37,650	23,274	4,038	3,174	5	-115	-1,944	-1,500	39,748	24,832
Operating profit/loss	24,819	8,937	275	170	-897	-1,043	-114	-34	24,083	8,030
Net financial income/expense									1,132	477
Profit/loss before tax									25,215	8,506

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	
	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Product/service area								
Pellets	32,453	20,014	–	–	–	–	32,453	20,014
Fines	4,303	2,570	–	–	–	–	4,303	2,570
Magnetite	–	–	859	607	–	–	859	607
Mineral sands	–	–	500	376	–	–	500	376
Other industrial minerals	–	–	1,062	924	–	–	1,062	924
Mining and construction services	–	–	200	191	–	–	200	191
Other	411	318	–	–	22	-4	433	314
Total	37,167	22,902	2,621	2,097	22	-4	39,810	24,996
Region								
Europe	25,070	11,642	1,653	1386	22	-4	26,745	13,024
MENA	8,488	5,473	18	3	–	–	8,506	5,476
Rest of World	3,609	5,787	950	708	–	–	4,559	6,495
Total	37,167	22,902	2,621	2,097	22	-4	39,810	24,996
Revenue from contracts with customers	37,167	22,902	2,621	2,097	22	-4	39,810	24,996
Other income – financing activities	–	–	–	–	-62	-163	-62	-163
Total external income	37,167	22,902	2,621	2,097	-40	-167	39,748	24,832

Note 5
Business combinations

On 2 August 2021 the Group acquired 75 percent of the shares in Bergteamet AB. 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 30 September 2021 the subsidiary contributed MSEK 8 to consolidated income and MSEK 2 to consolidated profit after tax. Had the acquisition taken place as of 1 January 2021, management estimates that consolidated revenue would have increased by around MSEK 60 and profit for the year 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.

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 2021				
MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	4,394	–	–	4,394
Shares, current holdings	–	8,786	–	8,786
Interest-bearing instruments	–	16,795	–	16,795
Derivatives	–	1	–	1
Total	4,394	25,582	–	29,976

Group 30 Sep 2020				
MSEK	Level 1	Level 2	Level 3	Total
Shares, financial assets	3,135	–	–	3,135
Shares, current holdings	–	7,315	–	7,315
Interest-bearing instruments	–	11,711	–	11,711
Derivatives	25	-20	–	5
Total	3,160	19,006	–	22,166

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	30 Sep 2021	30 Sep 2020	31 Dec 2020
<i>As pledged assets for own liabilities and provisions</i>			
Company-owned endowment insurance	104	111	104
Deposit of cash and cash equivalents	112	112	112
Collateral provided, derivatives	298	339	212
Pledged assets bonds repurchase agreements	–	2,174	–
Total pledged assets	514	2,736	428

Contingent liabilities

MSEK	30 Sep 2021	30 Sep 2020	31 Dec 2020
Guarantees, FPG/PRI	17	16	16
Guarantees, GP plan	3	3	3
Guarantees, Swedish Tax Agency	63	63	63
Surety given for subsidiaries	119	119	111
Accounts receivable factored with recourse	0	0	–
Collateral, remediation	59	61	59
Total contingent liabilities	261	262	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

After the end of the quarter the Land and Environment Court notified that it was rejecting LKAB's application for the existing operations in Kiruna in its entirety. LKAB will appeal the court's decision.

Since the period for the current goals expires at the end of the year and for greater flexibility as we embark on our transformation, the Board of Directors has proposed updated financial goals that are subject to approval at an extraordinary general meeting being held on 27 October 2021.

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	30 Sep 2021	30 Sep 2020	31 Dec 2020
Loans payable	2,763	7,832	3,608
Provisions for pensions	1,811	1,879	1,741
Provisions, urban transformation	15,374	15,190	14,272
Provisions, remediation	1,836	1,374	1,736
Less:			
Cash and cash equivalents	-8,778	-5,451	-3,406
Current investments	-25,581	-19,051	-19,073
Financial investments	-390	-333	-348
Net financial indebtedness	-12,965	1,439	-1,470

Net debt/equity ratio

MSEK	30 Sep 2021	30 Sep 2020	31 Dec 2020
Net financial indebtedness, MSEK	-12,965	1,439	-1,470
Equity, MSEK	63,706	45,420	48,412
Net debt/equity ratio, %	-20.4	3.2	-3.0

Return on equity

MSEK	30 Sep 2021	30 Sep 2020	31 Dec 2020
Profit/loss after tax R 12, MSEK	23,105	8,307	9,757
Average equity, MSEK	54,563	44,550	46,970
Return on equity, %	42.3	18.6	20.8

MSEK	Note	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net sales		12,744	14,748	12,256	9,082	9,333	7,456	8,044	6,947
Operating profit/loss		7,769	9,161	7,153	3,625	2,955	1,883	3,191	2,047
Net financial income/expense		234	512	386	321	600	656	-780	67
Profit/loss before tax		8,002	9,674	7,539	3,945	3,555	2,540	2,411	2,113
Profit/loss for the period		6,355	7,672	5,978	3,079	2,800	1,998	1,879	1,630
Costs for urban transformation provisions		-148	-77	-64	-82	-963	-277	-74	-93
Operating cash flow		7,430	7,111	3,812	1,622	1651	972	1,792	1,302
Investments in property, plant and equipment		994	846	542	929	643	571	619	735
Deliveries of iron ore products, Mt		6.3	6.9	6.9	7.0	7.6	6.6	7.3	6.5
Proportion of pellets, %		80	85	88	83	82	83	89	81
Production of iron ore products, Mt		6.7	5.9	7.4	6.8	6.8	6	7.4	7.2
Return on equity ¹ , %	10	42.3	39.2	27.1	20.8	18.6	19.4	22.2	24.2
Net debt/equity ratio ¹ , %	10	-20.4	-11.8	-10.8	-3.0	3.2	10.5	-0.1	-0.9

¹ Refers to the end of the quarter.