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Interim Report July–September 2022: continued uncertainty in the world affects profits

LKAB's net sales for the third quarter amounted to a high MSEK 12,244. In an uncertain world, however, stable deliveries were offset by falling iron ore prices.

Net sales for the third quarter amounted to MSEK 12,244 (12,744) and operating profit totalled MSEK 5,909 (7,769). Sales figures were impacted by lower prices for highly upgraded iron ore products, but this was mitigated by a strong dollar exchange rate and a higher delivery volume. Operating profit was also impacted by higher costs for production disruptions and by higher prices for energy and some input goods.

The delivery volume for the quarter was 6.6 (6.3) Mt. Production was somewhat lower compared to the previous year and amounted to 6.6 (6.7) Mt, affected by continued disruptions at the pelletising plants in Kiruna as well as measures to secure production capacity.

Uncertainty in the market

The global spot price for iron ore products continued to fall in the third quarter and the average price was USD 104 (164) per tonne, which was USD 34 lower than in the previous quarter. At the end of the period the price was USD 96 per tonne. Quoted pellet premiums for the quarter were somewhat higher than in the same period last year.

“Demand for our products has remained good, but the uncertainty we are seeing in the world around us may lead to lower steel production and thereby decreased demand for iron ore,” says Jan Moström, President and CEO of LKAB.

Research shows hydrogen-reduced iron has superior properties

Within the HYBRIT initiative – which LKAB is running jointly with SSAB and Vattenfall – new research has shown that hydrogen direct reduced sponge iron, produced using HYBRIT technology, has superior properties and is of a superior quality.

“It is clear that the technology works for our future product and that carbon-free sponge iron will be superior not just in climate respects but also in technical respects,” says Jan Moström.

Work on LKAB’s comprehensive transition with the aim of carbon-free processes and products by 2045 is continuing. The preparatory work at the industrial area in Malmberget/Gällivare that LKAB’s Board resolved earlier in the year to invest in was started during the quarter. As part of the HYBRIT initiative, here preparations are being made for the world’s first industrial-scale facility for hydrogen-produced sponge iron. The facility is expected to be completed by 2026.