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Interim Report July–September 2023: High production limited by transport capacity

LKAB's operating profit for the third quarter amounted to nearly SEK 5 billion. Higher production was however offset by limited capacity on the Ore Railway.

Net sales for the third quarter amounted to MSEK 10,819 (12,244) and operating profit totalled MSEK 4,987 (5,909). Both net sales and operating profit were impacted mainly by lower prices for highly upgraded iron ore products and lower delivery volumes.

Production for the quarter was the highest since the start of 2021 and amounted to 7.0 (6.6) Mt. Delivery volumes for the quarter amounted to 6.3 (6.6) Mt and were impacted by rail works on the Ore Railway.

"As our production improves following the issues of recent years and we approach the desired levels, the Ore Railway's inadequacies are becoming particularly apparent. We are ourselves investing to increase and secure transport capacity – for example, through more ore cars and most recently in the form of a new locomotive workshop in Kiruna – but further measures are needed in respect of the Ore Railway that are beyond our control. How the expansion of the Ore Railway is managed will be crucial going forward," says Jan Moström, President and CEO LKAB.

The global spot price for iron ore products remains at a high level, averaging USD 114 (104) per tonne for the third quarter. The price at the end of the quarter was USD 120 per tonne. Quoted pellet premiums for the quarter were just over USD 30 per tonne lower than in the same period last year.

Risk of delays associated with permitting processes

LKAB has previously submitted an application for environmental permits required to begin the transformation in Gällivare. In addition to continued mining and upgrading activities, the application includes the establishment of the world's first industrial-scale plant for producing fossil-free sponge iron with hydrogen, the HYBRIT demo plant, and an apatite plant for extracting phosphorus and rare earth elements from current waste streams.

"The handling of the process for the overall permit application for Gällivare is showing already at an early stage that unfortunately it risks dragging on and delaying the implementation of our plans. We want to get permits as soon as

possible, but it is clear that how the permitting process is managed is crucial for how quickly we can carry out our transformation. We also face strategic considerations as regards both energy supply and capacity on the Ore Railway, where we currently do not see that we are moving forward in Sweden in a way that leverages the opportunities we see," says Jan Moström.