

## CONTACT:

Niklas Johansson, Senior Vice President Communication and Climate

T +46 10 144 52 19

E [Niklas1.johansson@lkab.com](mailto:Niklas1.johansson@lkab.com)

## Year-end Report 2023: Profits strong but continued challenges ahead

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LKAB ends 2023 with another strong quarter and is presenting operating profit for the full year of SEK 16 billion, representing an operating margin of nearly 40 percent. Higher production was offset, however, by lower deliveries due to challenges involving capacity on the Ore Railway.

Net sales for the full year amounted to MSEK 42,923 (46,543). Lower pellet premiums and lower delivery volumes were partially offset by a weaker Swedish krona. Operating profit for the full year was also negatively impacted by higher costs as a result of lengthy scheduled maintenance shutdowns, measures to secure production capacity and higher costs for inputs. Operating profit for the year amounted to MSEK 16,230 (20,799).

The Board of Directors is proposing to the Annual General Meeting that an ordinary dividend amounting to MSEK 7,600 (7,540) is paid, which is 50 percent of profit for the year.

Net sales for the fourth quarter increased to MSEK 10,798 (9,949), mainly due to higher iron ore prices and delivery volumes and to a higher percentage of pellets, which was partly offset by lower pellet premiums. Operating profit for the quarter was MSEK 3,800 (2,673).

The global spot price for iron ore products remains at a high level. The average price for full-year 2023 was unchanged from 2022 at USD 120 (120) per tonne. For the quarter the average price was USD 129 (99) per tonne and at the end of the quarter, and thus the year, the price was USD 140 per tonne. Quoted pellet premiums for both the quarter and the full year were around USD 30 per tonne lower than in the same period the previous year.

As in the previous quarter, production was stable at a relatively high level and amounted to 7.0 (6.3) Mt, a result of investments made in production stability. LKAB also increased its production for the full year, which amounted to 26.2 (25.0) Mt, representing an increase of 1.2 Mt. Delivery volumes for the quarter increased slightly to 6.5 (6.4) Mt. For the full year, however, deliveries decreased as a result of a shortage of crushed ore and production disruption in the first half of the year, as well as capacity restrictions on the Ore Railway, and thus amounted to 25.3 (25.8) Mt.

**Derailment demonstrates the sensitivity of the Ore Railway**

At the end of the quarter a major derailment took place on the Ore Railway close to Vassijaure, when a fully loaded ore train heading for Narvik jumped the rails. Since extensive repair work has been required in difficult weather conditions the assessment is that the line will be put back into service at mid-February, which means almost two months with no services. LKAB's deliveries from the port in Narvik were somewhat impacted in the fourth quarter but the main impact is during the first quarter of 2024. The ongoing consequences are difficult to fully assess in light of the already strained capacity on the Ore Railway and effects going forward are still being investigated. The assessment is, however, that there is a significant risk that this could have far-reaching consequences.

*"We can no longer shut our eyes to how critical to society and how sensitive the infrastructure of the Ore Railway is, and the value that is thus at stake. We are ending the year with relatively high production and the expansion of the Ore Railway is crucial both for the current volumes and for future production increases. At this moment, however, we are focusing on how capacity can be ensured in the near future," says Jan Moström, President and CEO of LKAB.*