
LKAB Q2 revenue down by 72pct

Monday, 31 Aug, 2009

Swedish mining and resource company LKAB announced its result for Q1 of 2009 ending June 30th 2009.

1. Revenue decreased by 72% to MSEK 1,721.
2. Operating income decreased by 119% to MSEK -651
3. Profit after financial items dropped by 116% and amounted to MSEK -558
4. Profit after tax amounted to MSEK -473
5. Cash flow from operating activities amounted to MSEK -1 356
6. Deliveries from the Mining Division declined by 38%.
7. Dividends of MSEK 2,800 (2,000) have been paid out to the owner.

Mr Lars-Eric Aaro acting president of LKAB said that “The most recent quarter has been one of the most dramatic in LKAB’s history. The market trend remains very weak in Europe, where most of LKAB’s customers are located. LKAB’s deliveries during the quarter have fallen significantly compared to the previous year.”

He added that “Total deliveries amounted to 3.6 million tonnes. During the latter part of the second quarter, price agreements on iron ore were reached in Asia and Europe, which is a benchmark for LKAB. These agreements entail a reduction in price of about 50%, as compared to the previous assessment during the first quarter of about 30%. This means that the new price for 2009 is just under the 2007 price level. Operating income for the second quarter reached MSEK -651 which represents a dramatic decline compared to the corresponding period in 2008. Income for the quarter is affected by the new price agreements, which gives a retroactive effect from the start of the year. The combination of both lower demand and lower prices means that LKAB must adapt its operations towards lower production and cost levels. The significantly lower income for the second quarter resulted in a cash flow from operating activities of MSEK -1 356.

The long term strategic investments in logistics and new main levels in Kiruna and Malmberget will continue, even if commissioning dates may be postponed. Collectively, these major commitments will have a significant impact on LKAB’s liquidity in the coming years.

LKAB has in recent months seen an increase in orders for deliveries during the autumn. Among other business, LKAB has reached agreements with Chinese customers for deliveries during the period 2009 - 2011. At the same time, LKAB’s sales to customers in the Middle East have improved in recent months. Although demand for ore on LKAB’s home market in Europe remains weak, inventories have reached a level at which steel producers are starting to replenish their stocks of ore, despite the fact that their steel production is not increasing. For the year as a whole, the company’s production is still far below capacity, but the rate of production will be much higher during the autumn than it was during the first half of the year.”

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