

ANNUAL AND SUSTAINABILITY REPORT 2014 IN BRIEF

A WORLD OF STEEL

Demand for iron ore is driven by the demand for steel, which in turn is strongly linked to GDP growth, increasing urbanisation and prosperity in the world's emerging economies. The supply of fines on the iron ore market increased significantly in the first half of 2014, while demand, especially from China, declined. Oversupply in combination with low steel prices in China led to a sharp fall in the spot price of iron ore fines during the year. In contrast, the market is stable for highly processed iron ore products, like LKAB's pellets, as the demand for efficiency and environmental performance from steel producers increases.

150 years

is how long steel has been recycled and it can be recycled over and over without loss of quality.

47% \$

is how much the price of iron ore fell in 2014 with an average for the year of USD 97 per tonne.

1,7 GJ

per tonne of steel (HRC) is the amount of energy that steelworks can save by using blast furnace pellets instead of sinter.

50%

of world steel production is used for buildings and infrastructure.

320 kg

less carbon dioxide is emitted per tonne of steel produced (HRC) if blast furnace pellets are used instead of sinter.

823 Mt

is how much steel was produced in China in 2014. This is almost half of total world steel production.

1,3 tonnes

is how much the total weight of a 40 tonne truck can be reduced by if high strength steel is used in platforms and chassis¹.

¹ www.miljonyttta.se

100%

increase. Global steel consumption has doubled in 35 years.

933 Mt

is how much China's importation of iron ore increased, which is a 13.8 percent increase over the previous year.

FROM SWEDISH ORE FIELDS – TO THE WORLD

LKAB operates in northern Sweden at the richest iron ore deposits in Europe. Our production, processing and world-leading research and development facilities are located here. We transport finished iron ore products by rail to the ports of Narvik and Luleå for further transport to customers, primarily in Europe, the Middle East, Asia and the US.

For nearly 125 years, LKAB has been a key driver of Sweden's growth and exports that built infrastructure, industries and knowledge. The mining of iron ore in northern Sweden generates considerable socio-economic value. We help communities grow and develop and serve as a safe, secure, attractive employer. At the same time, we affect the people, environment and other industries in our surroundings. Our values and Code of Conduct guide us to act responsibly, in cooperation and trust with the world around us.

60%

is how much LKAB increased its sales of magnetite ore for uses other than steel production.

4th

largest; LKAB is the world's fourth largest pellet producer.

26 Mt

was the total amount of iron ore products LKAB delivered to customers in 2014.

83%

of LKAB's sales consist of high quality iron ore pellets – blast furnace pellets and direct reduction pellets.

77%

of LKAB's iron ore products are exported to Europe's steelworks.

700 MSEK

is how much LKAB's costs will decrease through process optimisation, new purchasing agreements, hiring freezes and staff reductions.

5 491 MSEK

was invested by LKAB during the year. MSEK 1,700 in the growth program for new surface mines, MSEK 413 in environmental investments.

71 232

was the approximate number of tonnes of finished products transported on the Malmbanan rail line every day during the year.

LKAB AND SOCIETY GROW SIDE BY SIDE

5 000

new homes need to be built in the mining communities as a result of urban transformation.

97%

of Gällivare's residents and 96 percent of Kiruna's believe that LKAB is very valuable to the municipality.

25 000

people visited LKAB and were received by our visitor services in 2014. LKAB's mines are themselves major destinations.

WITH RESPONSIBILITY FOR THE ENVIRONMENT

73 TJ

is the total energy savings achieved through energy efficiency measures.

90%

is the degree of purification of flue gases from the MK3 pelletizing plant in MalMBERGET after additional environmental investments.

2 600 ha

of land is protected from exploitation by LKAB's environmental compensation plan.

AS AN ATTRACTIVE EMPLOYER

19,4%

is the percentage of women at LKAB. The percentage is steadily increasing and the target is 25 percent women by 2020.

500

employees have been trained so far in the new Code of Conduct adopted at the end of 2013.

5th

place in Universum's "Sweden's Best Employers" study.

EVENTS DURING THE YEAR

JAN FEB

SSAB AND RUUKKI MERGE
22 January. Two important customers for LKAB announce that they will form a joint company.



STRONG START TO THE YEAR
31 January. LKAB delivered nearly 2.29 million tonnes of finished products in January, which is an annual mean value of 26 million tonnes.

INVESTMENTS IN NARVIK
17 February. LKAB is investing an additional SEK 1 billion in a new transport system from ore stockpiles to shiploaders in the port of Narvik.

MAR APR

100 MILLION TONNES OF ORE
12 March. New exploration discoveries increase the ore base by almost 100 million tonnes of magnetite in two of LKAB's surface mines in Svappavaara.



NEW CODE OF CONDUCT
26 March. LKAB's Board of Directors adopted a Code of Conduct for the Group. The Code of Conduct is part of the sustainability strategy and replaces previous ethics policies.

NEW CHAIRMAN OF THE BOARD
29 April. LKAB's owner selects Sten Jakobsson as the new Chairman of the Board. He succeeds outgoing chairman Marcus Wallenberg at LKAB's AGM.

MAY JUNE

AGREEMENT WITH GÄLLIVARE MUNICIPALITY
8 May. The Supreme Administrative Court did not give leave to appeal the cooperation agreement between LKAB and Gällivare Municipality, thereby making it legally binding.

AGREEMENT WITH KIRUNA MUNICIPALITY
14 May. LKAB and Kiruna Municipality enter into a joint agreement on urban transformation and relocation of City Hall and central parts of the city of Kiruna.

LKAB MINERALS TURNS 25
4 June. The anniversary was celebrated by having all staff participate in a health challenge where together they walked, ran, swam and bicycled to raise EUR 25,000 for WaterAid.



JUL AUG

PERMIT FOR MERTAINEN
3 July. In a partial ruling from the Land and Environment Court a permit was issued for planned activities in Mertainen including preparatory work, which began immediately.



READY FOR MINING
18 July. Mining in Mertainen can begin since the Swedish Agency for Marine and Water Management withdrew its appeal to the Supreme Court.

LOWER IRON ORE PRICES
15 August. The price of iron ore drops, which affects LKAB's margins. An enhanced cost-cutting program is implemented.

SEPT OCT

COMPENSATION GETS GREEN LIGHT
26 September. LKAB's plan to compensate for nature conservation values at the mine in Mertainen is approved by the Land and Environment Court. The plan is the first of its kind and its approval is the result of a long-term biodiversity project.



SUSTAINABILITY REQUIREMENTS FOR SUPPLIERS
13 October. A new framework for all LKAB suppliers will lead to more sustainable purchasing and strengthen LKAB's position as one of the world's most resource-efficient mining companies.

NOV DEC

REQUEST FOR INCREASED PRODUCTION
12 November. LKAB requests permission to increase pellet production in Kiruna from the currently permitted 14.8 million tonnes to 16.2 million tonnes.



BOND ISSUE
2 December. LKAB conducts a successful SEK 2 billion bond issue under its recently established MTN program.

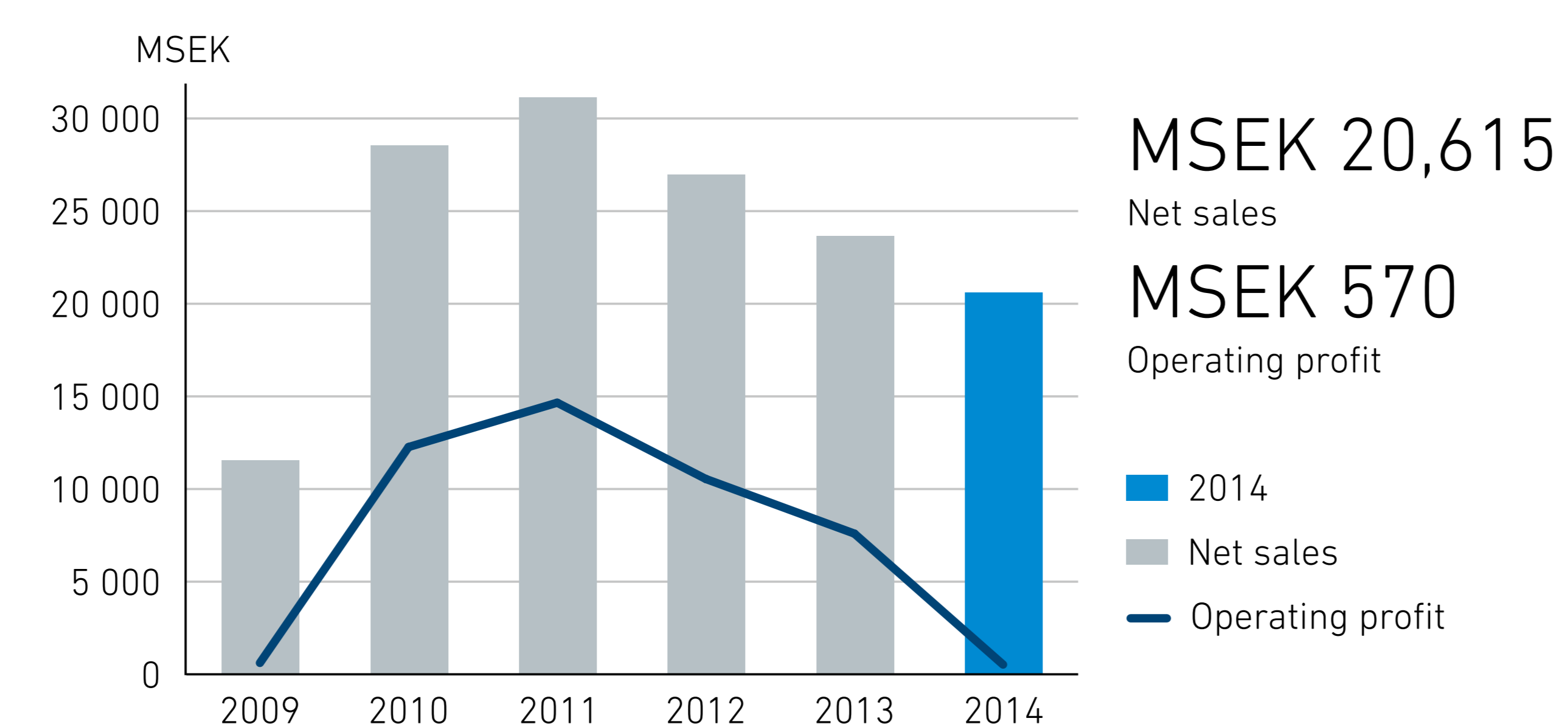
LEVEÄNIEMI PROCEEDING
23 December. LKAB submits additional information to the Land and Environment Court regarding ore mining in Leveäniemi following an opinion from the Swedish Environmental Protection Agency. The goal is to receive a favourable decision in the first quarter of 2015.

PROFIT FOR THE YEAR

Operating profit for the year is SEK 570 million (7,639) with an operating margin of 3 percent (32). LKAB's earnings thereby reflect a changed market situation. An increasing structural oversupply of iron ore fines put pressure on the world market price of iron ore during the year. The spot price¹ reached its lowest level in the last five years with a price of USD 66/tonne at the end of 2014. Low steel prices in China and weaker demand for iron ore fines on the spot market also contributed to the price decline. Continued high demand for LKAB's processed, high-quality iron ore products, such as pellets, offers price advantages. It shows that we are well positioned in our customer offering with climate-smart iron ore pellets.

¹ PLATTS IODEX 62% Fe CFR North China

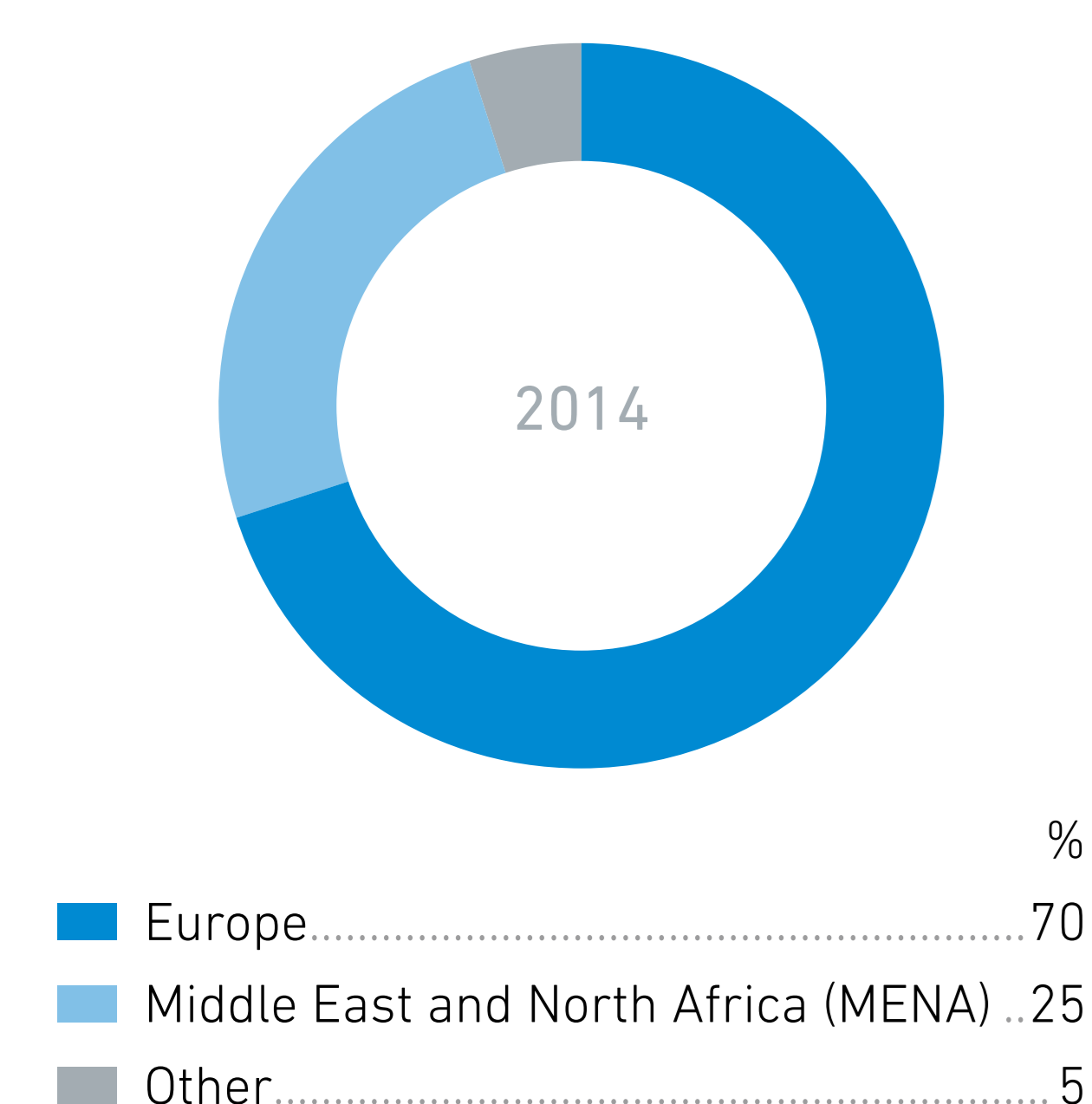
NET SALES AND OPERATING PROFIT



SALES

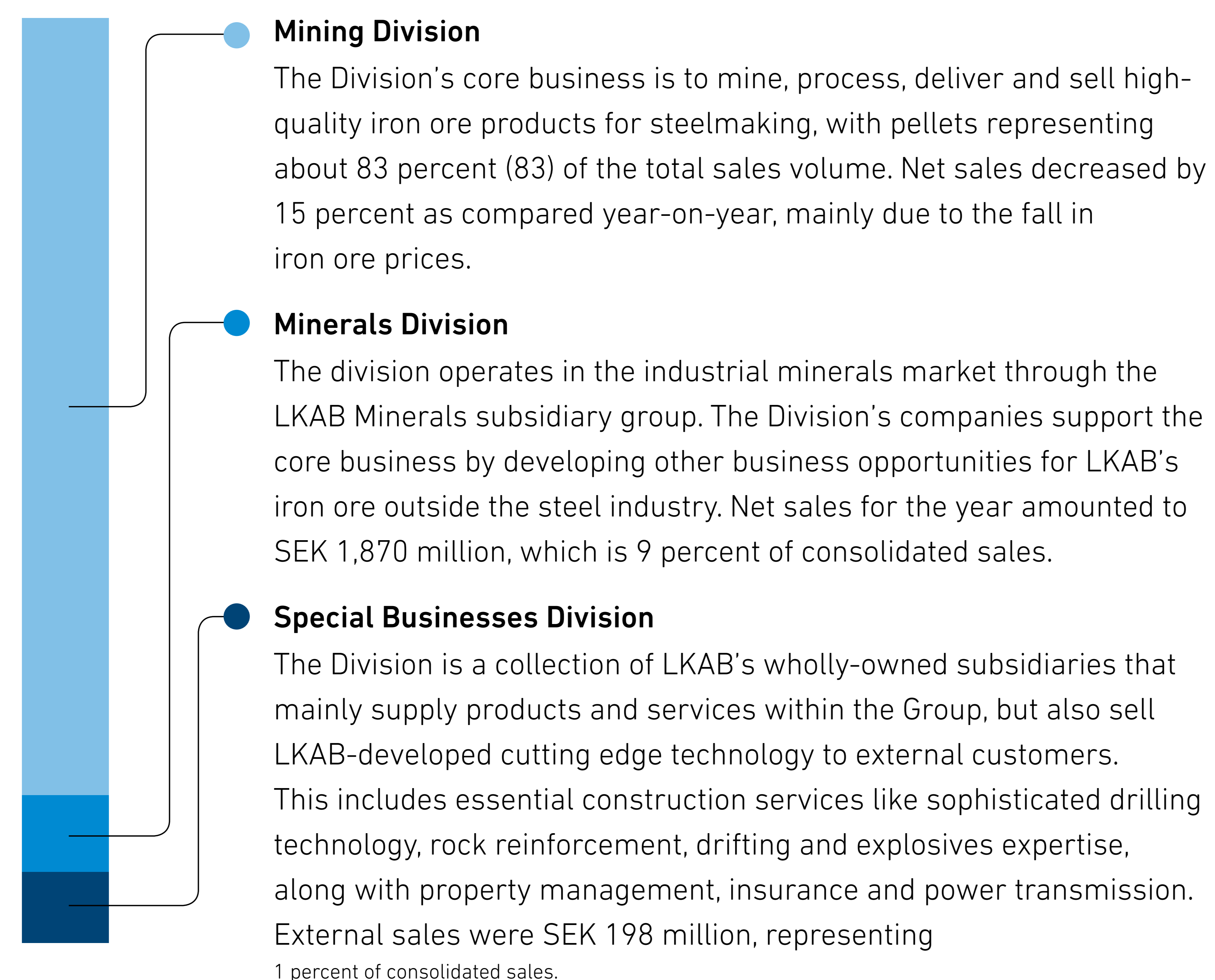
BY MARKET REGION

Percent of net sales, MSEK



BY DIVISION

Percentage of net sales, MSEK



PRODUCED AND DELIVERED

25,7 Mt

IRON ORE PRODUCTS WERE PRODUCED BY LKAB IN 2014, COMPARED WITH 25.3 MILLION TONNES IN 2013

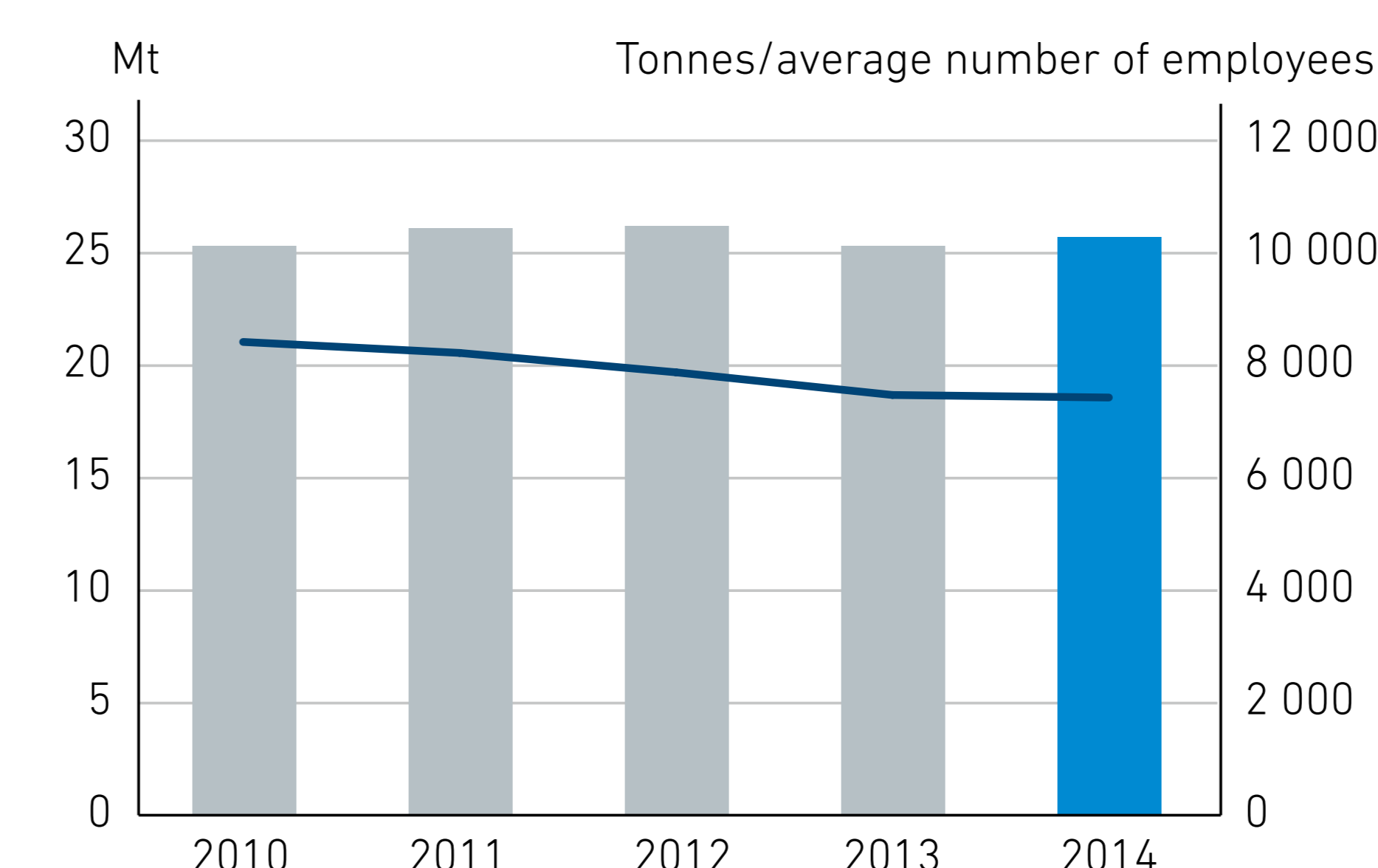
26,0 Mt

IRON ORE PRODUCTS WERE DELIVERED BY LKAB IN 2014, COMPARED WITH 25.5 MILLION TONNES IN 2013

KEY RATIOS

PRODUCTION AND PRODUCTIVITY

Production 2014 (blue bar), Productivity, tonnes/average number of employees (blue line)



PRODUCTION OF IRON ORE PRODUCTS, MT

| | 2014 | 2013 | 2012 | 2011 |
|------------------|------|------|------|------|
| Total | 25,7 | 25,3 | 26,2 | 26,1 |
| Of which pellets | 23,2 | 23,1 | 23,8 | 22,9 |
| Of which fines | 2,5 | 2,2 | 2,4 | 3,2 |

DELIVERY OF IRON ORE PRODUCTS, MT

| | 2014 | 2013 | 2012 | 2011 |
|------------------|------|------|------|------|
| Total | 26,0 | 25,5 | 26,3 | 25,7 |
| Of which pellets | 21,7 | 21,1 | 22,0 | 20,9 |
| Of which fines | 4,3 | 4,4 | 4,3 | 4,8 |

FINANCIAL REVIEW

| | 2014 | 2013 |
|--|------------|--------------|
| Financial key ratios | | |
| Net sales, MSEK | 20 615 | 23 873 |
| Operating profit, MSEK | 570 | 7 639 |
| Operating margin, % | 3 | 32 |
| Profit before tax, MSEK | 594 | 7 768 |
| Tax, MSEK | 247 | 1 736 |
| Profit for the year | 347 | 6 032 |
| Operating cash flow, MSEK | 2 072 | 2 434 |
| Return on equity, % | 0,9 | 14,7 |
| Net debt/equity ratio, % | 0,0 | -17,6 |
| Investments in property, plant and equipment, MSEK | 5 491 | 6 141 |
| Net expenses for urban transformation, MSEK | 3 577 | 722 |
| Provisions for urban transformation at end of reporting period, MSEK | 11 683 | 6 304 |
| Created and distributed economic value, MSEK | 21 445 | 24 703 |
| Non-financial key ratios | | |
| Employees, number of (average) | 4 539 | 4 427 |
| Of whom women, % | 19,4 | 18,1 |
| Of whom female managers, % | 19,9 | 19,8 |
| Accidents with absence, number of | 58 | 59 |
| Energy consumption, kWh/tonne of products | 165 | 167 |
| Carbon dioxide emissions from pellet production, kt | 675 | 669 |