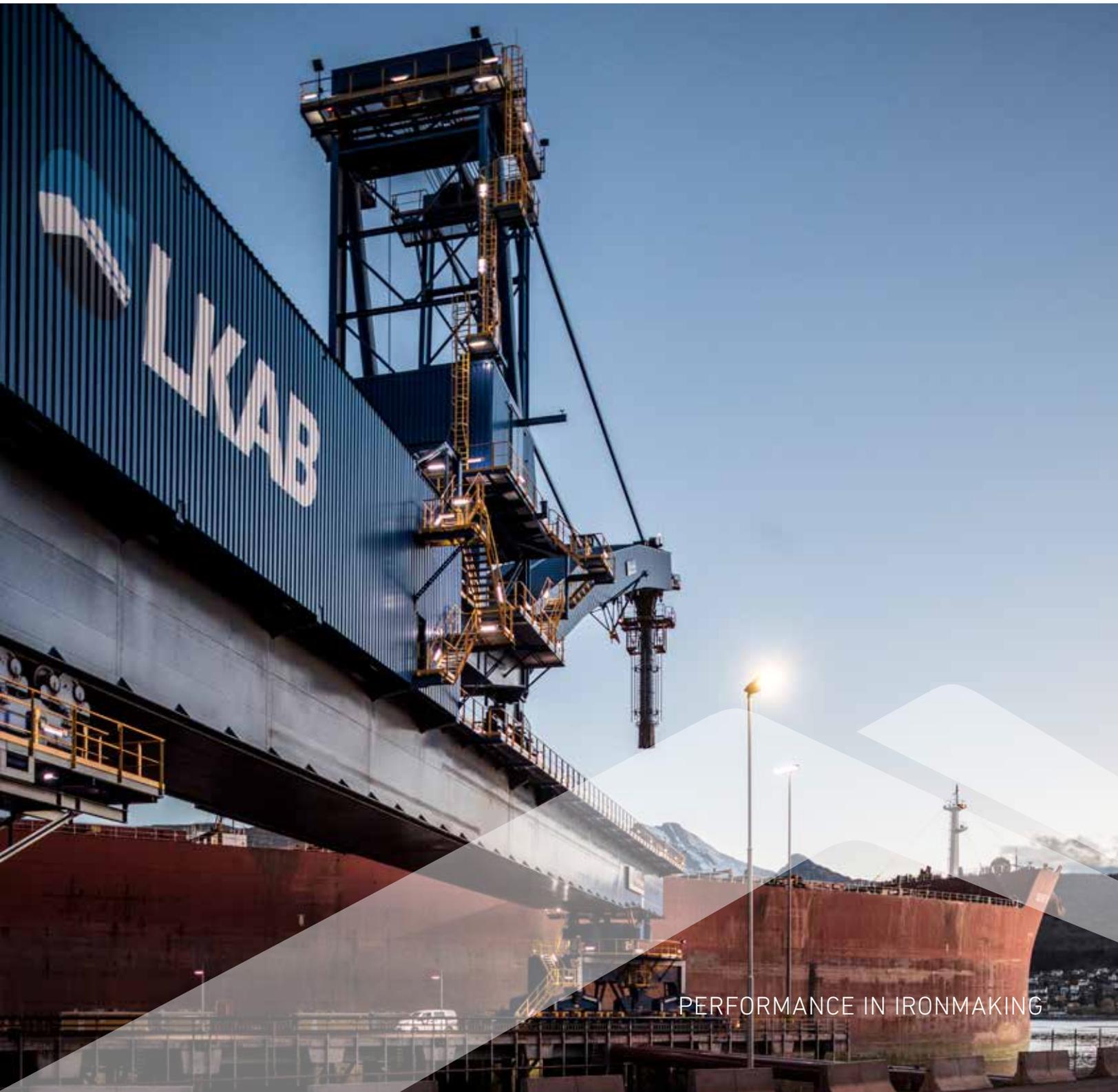


2017 IN BRIEF

ANNUAL AND SUSTAINABILITY REPORT



PERFORMANCE IN IRONMAKING

LKAB's aim is to create prosperity by being one of the most innovative, resource-efficient and responsible mining companies in the world.

BUSINESS CONCEPT

To manufacture and deliver upgraded iron ore products and services from the mines located in the Swedish ore fields, for iron manufacturing and that generates added value for customers on the world market. Other closely related products and services that are based on LKAB's expertise, which supports the core business may be included in the operations.

VISION

Be perceived by customers as the supplier that provides the best added value, thus leading the way in our chosen market segments.



This is a summary of the Swedish version of LKAB's annual and sustainability report, which is available on lkab.com. The English version of LKAB's annual and sustainability report will be published on April 26th, 2018. It will also be available at lkab.com.

EUROPE

LKAB is EU's largest iron ore producer and mines around 80 percent of all iron ore within the EU

2

LKAB is the world's second-largest producer in the seaborne pellet market

1890

LKAB is one of Sweden's oldest industrial companies and has customer relationships dating back more than a century

83%

Iron ore pellets account for 83 percent of LKAB's iron ore deliveries

SEK 23.5 bn

LKAB's net sales during 2017

100%

LKAB is wholly owned by the Swedish state

4,118

The total number of employees

LKAB's mines and processing plants are located in the Swedish orefields – in Kiruna, Malmberget and Svappavaara. The iron ore products are transported along the Ore Railway to the ports of Narvik and Luleå for shipment to customers around the world.



LKAB IS ORGANIZED INTO THREE DIVISIONS

NORTHERN DIVISION

Mine, processing and support functions in Kiruna

SOUTHERN DIVISION

Mine, processing and support functions in Malmberget and Svappavaara

SPECIAL PRODUCTS DIVISION

Develops and markets industrial minerals, drilling technology and full service solutions for the mining and construction industries

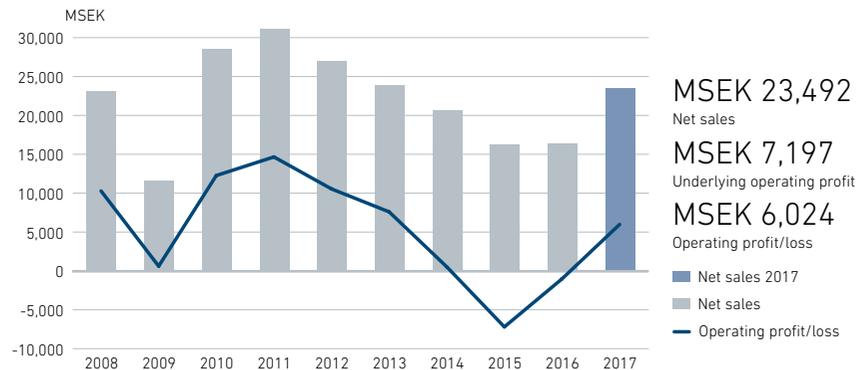
2017 OVERVIEW

PROFIT/LOSS FOR THE YEAR

Operating profit improved by MSEK 7,701 compared with the previous year. The improvement is mainly due to higher market prices for highly upgraded iron ore products and an improved result from price and currency hedging. Lower impairment losses for fixed assets and lower costs of provisions for the urban transformations also had a positive effect on profits.

The global spot price for iron ore was traded at relatively good levels during the year, and the pellet premium relative to the spot price strengthened further. The majority of LKAB's iron ore deliveries – 83 percent – consisted of iron ore pellets.

NET SALES AND OPERATING PROFIT/LOSS



EVENTS DURING THE YEAR

Q1



- The spot price for iron ore reached its highest level since the autumn 2014 when the price reached an average of USD 86/tonne during the quarter.
- LKAB's iron ore pellets were certified for their limited carbon footprint.
- LKAB became the first industrial company in the world to introduce an interactive safety programme that includes training and certification.
- LKAB made large property acquisitions, both in Kiruna and in Malmberget, as part of the work to secure access to land for mining.

Q3



- LKAB sold substantial parts of the machinery fleet associated with the open-pit mine in Mertainen since the mine is not expected to be taken into production during the coming five-year period.
- The first sections of the clocktower from Kiruna city hall were dismantled in order to be reassembled in Kiruna's new city centre. The first section was lifted down by crane and weighed around 30 tonnes.
- The average level of the global spot price for iron ore was USD 71/tonne for the quarter, compared with USD 59/tonne during the same period last year.

Q2

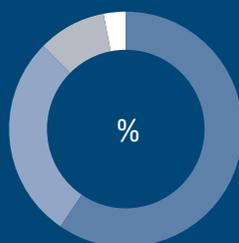


- LKAB Minerals signed a contract to supply 1.3 million tonnes of the iron ore product MagnaDense to Wasco Coatings Europe GmbH.
- SSAB, LKAB and Vattenfall formed a joint venture company to continue driving the HYBRIT initiative. The three companies will each own a third of the company, which will work to find a steelmaking process with zero carbon emissions.
- The first of a total of eight heritage buildings in Kiruna were moved to new locations. The first to be moved was the building known as Arbetarbostaden B5.

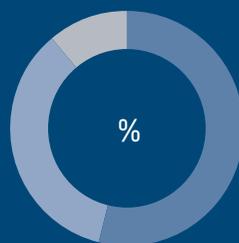
Q4



- The average global spot price for iron ore was 66 USD/tonne for the fourth quarter. At the end of the quarter and the year, the spot price was USD 74/tonne.
- The results of LKAB's annual survey showed that around 80 percent of residents in Kiruna and Gällivare have fairly great or very great confidence in LKAB's ability to shoulder its responsibility for the urban transformations.
- LKAB won the Sustainability Award at the Luleå Business Awards. The award is among other things given to the company or business that is working strategically on sustainability and has demonstrated an ability to actually implement this.

SALES BY
PRODUCT AREAPERCENTAGE OF THE GROUP'S SALES
(MSEK)

	%
Blast furnace pellets	55
DR pellets.....	26
Fines	8
Special products	11

SALES BY
DIVISIONPERCENTAGE OF SALES
(MSEK)

	%
Northern Division.....	54
Southern Division.....	35
Special Products Division.....	11

PRODUCED

27.2Mt

iron ore products produced by
LKAB in 2017, compared with
26.9 Mt in 2016

DELIVERED

27.6Mt

iron ore products delivered by
LKAB in 2017, compared with
27.0 Mt in 2016

KEY RATIOS

For management and follow-up, the operations are split into three divisions: the Northern Division, the Southern Division and the Special Products Division.

FINANCIAL OVERVIEW, GROUP

	2017	2016
Net sales, MSEK	23,492	16,343
Underlying operating profit ³ , MSEK	7,197	1,621
Operating profit/loss, MSEK	6,024	-1,677
Operating margin, %	25.6	neg
Profit/loss for the year	4,803	-978
Operating cash flow, MSEK	7,136	-2,762
Return on equity, %	14.4%	neg
Net debt/equity ratio, %	-6.6	20.7
Capital expenditure on property, plant and equipment, MSEK	2,008	3,341
Provisions for urban transformation at end of reporting period, MSEK	11,911	13,062

FINANCIAL OVERVIEW, DIVISIONS

	NORTHERN DIVISION ²		SOUTHERN DIVISION ²		SPECIAL PRODUCTS DIVISION ²	
	2017	2016	2017	2016	2017	2016
Net sales, MSEK	13,672	10,376	8,837	7,162	3,936	3,364
Underlying operating profit ³ , MSEK	5,253	2,891	2,733	1,293	417	351
Operating profit/loss, MSEK	4,194	1,164	2,646	-278	391	351

SUSTAINABILITY OVERVIEW

	2017	2016
Average number of employees	4,118	4,224
Of whom women, %	21.1	20.6
Of whom female managers, %	22.2	19.5
Accidents with absence per million hours worked (accident rate)	6.7 ⁴	5.8 ⁴

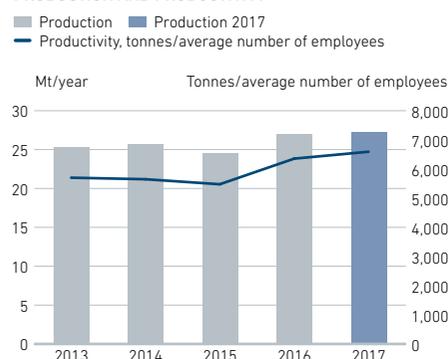
¹ From and including the fourth quarter 2016 the business is being managed and followed up according to a new Group structure in which the operations are split into a Northern Division, Southern Division and Special Products Division. Figures for full-year 2016 and 2015 have been restated according to the new divisions. Production volumes as per financial reporting.

² The Group's earnings, the composition of the Group and the breakdown of earnings between operating segments are shown in Note 3 on pages 92-93 in the complete annual and sustainability report.

³ Underlying operating profit is reported in Note 43 on page 117 in the complete annual and sustainability report.

⁴ Effective from 2017 the accident rate is reported including suppliers. Figures for 2016 have therefore been adjusted.

PRODUCTION AND PRODUCTIVITY



PRODUCTION OF IRON ORE PRODUCTS, Mt

	2017	2016	2015	2014	2013
Northern Division ¹	16.0	15.2	13.8	-	-
Southern Division ¹	11.2	11.7	10.7	-	-
Total	27.2	26.9	24.5	25.7	25.3
Of which pellets	24.6	24.0	22.2	23.2	23.1
Of which fines	2.6	2.9	2.3	2.5	2.2

DELIVERIES OF IRON ORE PRODUCTS, Mt

	2017	2016	2015	2014	2013
Northern Division ¹	16.7	15.5	14.2	-	-
Southern Division ¹	10.9	11.5	10.1	-	-
Total	27.6	27.0	24.2	26.0	25.5
Of which pellets	22.9	22.7	20.3	21.7	21.1
Of which fines	4.7	4.3	3.9	4.3	4.4

A COMPETITIVE LKAB LOOKS TO THE FUTURE

With increased volumes and improved market conditions, LKAB is reporting a positive result for 2017. It is a stronger LKAB that now looks toward the future with investments in important sustainability aspects and long-term planning of the next generation of mining, processing and logistics. President Jan Moström comments.

What is the most important factor behind the improved results?

The price for iron ore products developed well, and the global market is also driving towards increased demand for highly upgraded iron ore, which favours LKAB. Despite issues involving production interruptions, we also achieved a record high level of production.

What is your view of LKAB's competitiveness?

Fundamentally we are competitive, although we could enhance this further. More stringent environmental requirements and customers' efforts towards more efficient steelmaking are beneficial for the demand of our products. Sustainability aspects have been high on customers' agendas and our strong niche status puts us in a good position.

This year we have continued to strengthen our partnerships with customers, with HYBRIT (Hydrogen Breakthrough Ironmaking Technology) as the most important example. This is a sustainability initiative that we have been driving jointly with SSAB and Vattenfall since 2015, aimed at finding a solution to the issue of carbon emissions from steelmaking. The aim is to have fossil-free steel by 2035, which will make an important contribution to Sweden achieving the UN climate goals.

What kind of plans for growth do you have?

Over the coming years the growth will come from increased volumes in existing production units. At the same time, in 2017 we started work on setting out LKAB's direction after 2030 when our current main haulage levels will start to be mined out.

To make so that investments in new main haulage levels will pay off, we need to increase capacity considerably, to around 45–50 million tonnes per year. We need to extract more ore for each krona invested. We also need to substantially reduce our environmental impact, and here energy is a key aspect. Our ambition is to improve productivity in the 'next generation LKAB' by 40–50 percent compared with today, and to be a zero-carbon operations by 2045.

LKAB will be developed gradually through a number of programmes initiated during the year. Among other things, these relate to geology – knowing what mineral resources we have and how to achieve a more sustainable and, in the longer term, fossil-free energy supply – and how to exploit the opportunities brought by automation and digitalisation.

What are the greatest challenges for LKAB right now?

In order to be able to expand and ensure long-term mining it is crucial to gain access to land as the mining gradually expands. For more than 125 years the mine and community have developed in a state of mutual dependence, and we have a common interest in securing LKAB's future in the Swedish orefields. The urban transformations in Kiruna and Malmberget are essential for this, and in 2017 development seriously got under way. Naturally, such a huge project brings challenges. At the same time, more than 80 percent of residents in the municipalities say that they are confident that LKAB is shouldering its responsibility in the urban transformations – which I think is a very good score.

However, complex and drawn-out permit processes are a real challenge. It is affecting our ability to expand production at the rate we would like to. This dependence on legally secure permit processes does not just affect LKAB. Here we are working with the Ministry of Enterprise and Innovation and with other players in the industry through SveMin – for example, to bring about increased coordination between authorities on the issue of impact when there are contradictory national interests, as is often the case in our industry.

Sustainability is clearly integrated into LKAB's strategy. How has this work gone during the year?

The reorganization that we carried out in 2016 helped shift sustainability matters closer to production and we integrated them into our daily work. Utilising existing resources in a sustainable way goes hand in hand with our efforts to streamline production, and at the same time leads to greater profitability.



→ Fundamentally we are competitive, even though we could enhance this further. More stringent environmental requirements and customers' efforts towards more efficient steelmaking are beneficial to demand for our products.



Where social sustainability is concerned, aspects such as anti-corruption, human rights and diversity are central. These areas are included in our Code of Conduct that everyone at LKAB must comply with. During the year we launched training in the Code of Conduct, which four in five employees have now completed. Coach-led training and mapping of the risks in all units placed further emphasis on LKAB not contributing to human rights infringements.

Reducing the number of accidents is one of our priority sustainability goals, and in this case we have unfortunately not seen the development we wanted at all. In 2017 we recorded 6.7 accidents per million hours worked, which is an increase compared with 2016. Accidents have reduced when viewed over a longer perspective, but the trend in the past year is a clear signal that our long-term work on the safety culture must continue to be a priority. Our efforts in the form of training and dialogues aimed at changing workplace

attitudes and behaviours will therefore continue with undiminished intensity.

In the environmental area, the volume increase during the year was not reflected in our energy intensity – i.e. energy consumption per tonne – as we had hoped. Within the existing operations we see a limit on the improvements that we can achieve with reasonable efforts. With the next generation of mines and processing we will be able to raise our sustainability ambitions and work towards a business that is free of carbon emissions.

What are the highest priorities in 2018?

At the top of my agenda is making real progress in the HYBRIT project on the processing side, where we have already decided on a pilot facility for fossil-free steel. We are now working intensively to develop a similar partnership aimed at autonomous and carbon-free mine production. In addition, I will be focusing fully on ensuring that employees and managers are in the best position to continue developing LKAB.

STRATEGIC FRAMEWORK

STRATEGIC PRIORITIES

Highly productive
mining operations

Highly upgraded
iron ore products

Energy- and climate-
efficient processes

COMMERCIAL AND SUSTAINABILITY STRATEGY

Operational excellence

Growth

Sustainability

Leadership and employeeship

LKAB's competitiveness is enhanced by making the most of existing production capacity and investments already made, while at the same time exploiting opportunities for growth.

Operational excellence and growth

LKAB must increase its productivity through more efficient processes and continuous improvements at all levels. We are focusing on optimizing plant and machinery utilization throughout the operations. By being resource-efficient we can reduce both our costs and our impact on the environment.

The strategy for growth primarily involves expanding existing production units through new main haulage levels in the underground mines. We are working to optimize investments made, as well as evaluating and developing new technology to increase productivity. Through focused exploration additional mineral resources and mineral reserves can be added, which is necessary for the long-term future of the mines.

Sustainability

LKAB is working to minimize our energy consumption and our emissions, and thus the negative impact that our operations have on the environment. We are working to offer secure jobs, attractive career paths, and increased diversity and equality. It is essential that the location of our operations are attractive communities so that we are able to recruit and retain employees.

Leadership and employeeship

The responsibility that LKAB's managers and employees take forms the basis of our strategy. Committed, innovative and responsible managers and employees ensure that production is competitive and that the installed capacity is utilized, thereby securing a basis for future structural investments. Our employees' active participation in our improvement work is the key to success for LKAB – and our customers.



LKAB

Huvudentré >

Besöksparkering >

Industriområde >

Personalparkering >

LKAB LOOKS AHEAD

To ensure sustainable mining operations even after 2030 when the current main haulage levels will start to be mined out, LKAB has begun working to secure the next generation of mining operations.

The transition to the next generations mining operations brings considerable opportunities for the future, not least as regards sustainability. At the same time, it requires significant investments as well as a long planning horizon. Securing competitiveness – through operational excellence and growth – within the framework of the company's existing structures is essential, while at the same time looking forward.

As well as the work to optimize investments made previously, LKAB has identified four focus areas that are central for the transition to next-generation mines, processing plants and logistics.

- Knowledge of the ore and barren rock – understanding the next generation of main haulage levels and products
- Digitalization to enhance productivity and safety
- Efficient use of electricity and a gradual transition in order to become free of carbon emissions
- Securing expertise to deal with the changes required.

Guidance for this work is provided by the government's strategy – **Smart Industry** – which aims to enhance companies' ability to change and also their competitiveness. Exploiting the opportunities brought by increased digitalization and transitioning to more sustainable production are some of the challenges, according to the strategy. LKAB sees Agenda 2030 – in which we are mapping our efforts and which includes the goal of fossil-free, zero-carbon production – as pointing us in the right direction.

THE VALUES THAT GUIDE US

COMMITTED



Our customers' results are the focus of everything we do

INNOVATIVE



We emphasize creative thinking to drive improvements forward

RESPONSIBLE



We think long-term, are respectful and put safety first

OBJECTIVES FOR SUSTAINABLE DEVELOPMENT

LKAB's aim is to create prosperity by being one of the most innovative, resource-efficient and responsible mining companies in the world. Our overall objective is cost-effective expansion and growth with long-term profitability from a perspective of economic, social and environmental sustainability.

TARGET AREA

OBJECTIVES AND RESULTS

Economic sustainability	Objective	2017	2016	Objective
LKAB needs to be financially strong in order to be an innovative and responsible company that contributes to prosperity.	Return on equity of at least 12 percent over a business cycle	14.4	neg	>12%
	Net debt/equity ratio 0–30 percent	-6.6	20.7%	0–30%
	Ordinary dividend of 40–60 percent of profit for the year	60% ¹	0	40–60%

Social sustainability	Objective	2017	Base year 2015	Objective for 2021
LKAB shall be a secure and attractive workplace and exert a positive influence on our business partners and our immediate environment.	Reduce accidents resulting in absence to a rate of 3.5 per million hours worked by 2021	6.7 ²	6.2 ²	3.5
	Women to make up at least 25 percent of employees by 2021	21.1%	20.0%	>25%
	Women to make up at least 25 percent of management by 2021	22.2%	17.7%	>25%
	Compliance with LKAB's Code of Conduct and well-functioning dialogue with stakeholders ³	83% ⁴ have completed the training. Dialogue according to plan.		According to plan.

Environmental sustainability	Objective	2017	Base year 2015	Objective for 2021
LKAB aims to be one of the most resource-efficient and environmentally efficient mining companies in the world.	Reduce carbon emissions by at least 12 percent per tonne of finished product by 2021 compared with 2015 and at the same time reduce emissions of nitrogen to air (NO _x)	27.4 kg/tonne	27.2 kg/tonne	<23.9 kg/tonne
		150 g/tonne	158 ⁵ g/tonne	n/a
	Reduce energy intensity (kWh per tonne of finished product) by at least 17 percent by 2021 compared with 2015	164 kWh/tonne	166 kWh/tonne	<138 kWh/tonne
	Reduce discharges of nitrogen to water by at least 20 percent per tonne of finished product by 2021 compared with 2015	22 g/tonne	26.0 ⁶ g/tonne	21.0 ⁶ g/tonne
	Reduce emissions of particulates to air from scrubbing equipment by at least 40 percent by 2021 compared with 2015, calculated as an average for all equipment	9.1 mg/m ³ ntg	17 mg/m ³ ntg	10 mg/m ³ ndg

¹The proposed dividend of 60 percent of the profit for the year corresponds to 2 882 MSEK and is to be decided upon at the AGM for 2017.

²Effective from 2017 the accident rate is reported including LKAB's suppliers. Figures for 2016 have therefore been adjusted.

³For more information on KPIs associated with the objective see page 42 in the complete annual and sustainability report.

⁴Percentage of employees excluding those on long-term leave.

⁵As a result of a review of emissions calculations for NO_x in conjunction with the overall review of Kiruna, the calculation method for monitoring the nitrogen objective has changed and now only covers NO_x from pelletizing plants. See the GRI appendix on page 11 for more information.

⁶In 2017 the water balance was updated for Kiruna, which has resulted in relatively large changes in the volume of overflow water. This affects the total quantity of nitrogen in water, tonnes (objective monitoring and Annual and Sustainability Report) as well as trace metals (Annual and Sustainability Report).

The amount of overflow water has also been adjusted retrospectively, and consequently the base year of 2015 and the objective calculations for 2015–2021 have also been adjusted.

COMMENTS

During 2017, LKAB's profitability, indebtedness and ability to pay a dividend were positively affected by the improved profits and cash flow.

For 2017, LKAB's suppliers injuries are also included in the statistics. The most common injuries are to a finger, foot or ankle. To reduce the accident rate there is a focus on operational excellence and safety first.

The percentage of women and of female managers continued to increase over the year. Translation of the interactive training for the Code of Conduct was delayed until the end of 2017 and therefore the target of 95 percent of employees having completed the training has been deferred.

During the year the focus was on development work within the environmental area. Updating of the water balances has resulted in more accurate values for overflow water, among other things, and increased opportunities to model the effects of protective measures and predict future emissions of, for example, nitrogen. Improvement measures carried out by the operations on dust extraction facilities have had results and monitoring of the objective for particulates shows that the objective for 2021 was reached in 2017. An increased volume of crushed ore from Leveäniemi and the fact that parts of the production facilities did not reach planned production levels resulted in an increase in energy intensity and in specific carbon dioxide emissions compared with 2016. This despite increased production levels.



LKAB, BOX 952, SE-971 28 LULEÅ, SWEDEN | +46 771 760 000 | WWW.LKAB.COM